NEXT15

Final Results – 4 April 2018

Financial summary

- Revenue up 15% to £196.8m (2017: £171.0m)
- Organic* revenue growth of 5.2% (UK organic growth of 7.6%)
- H2 organic revenue growth of 8.3%
- Adjusted** EBITDA up 19% to £34.4m (2017: £29.0m)
- Adjusted operating profit margin up to 15.3% from 14.6%
- Adjusted pre tax profits up 21% to £29.3m (2017: £24.2m)
- Dividends up 20% to 6.3p (2017: 5.25p)
- Net debt of £11.6m (2017: £11.4m)

*Excludes the impact of currency changes and acquisitions until they have been in the Group for more than 12 months

**Excludes the impact of acquisition related costs including share based payment charges, amortisation and certain other non-recurring items

Corporate progress

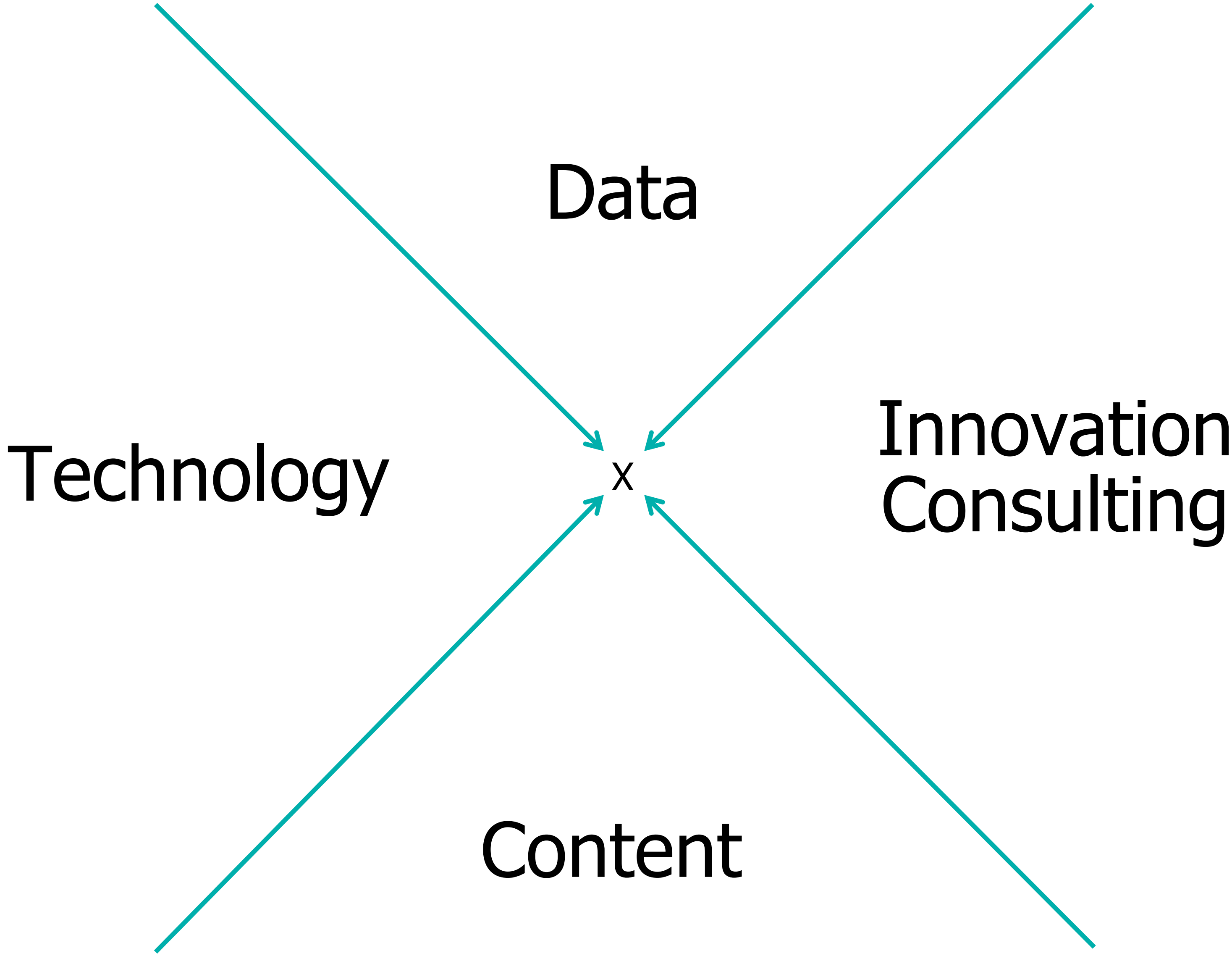
- UK investments include the acquisitions of Velocity, Circle, Elvis and Charterhouse
- UK revenues grew 36.8% to £58.3m with margin up to 22.3% thanks to acquisitions and operational improvements to drive organic growth of 7.6%
- US revenues grew 8.3% to £115.9m with margin of 20% the result of the investment in taking some of our UK agencies to the US
- EMEA delivered organic growth of 3.4% with margins improving to 9.6% (2017: 9.0%)
- Investments in talent, infrastructure and technology in APAC
- Key client wins include: Samsung, Slack and Nike
- High single digit organic revenue growth has continued into February and March

Data-driven, technology enabled

- Our customers are asking different things of us; anticipation of customer behaviour, measurement and alignment to business goals, multiple optimisation of spend, technology as a (Creative) service
- We are operating in a disrupted industry – advertising no longer king, fundamental reskilling of industry towards technology (voice, ML, cloud, mobile, video…), idea-led agencies not sufficient
- But there is more change to come – autogenerated content new normal, digital experience of a product/service is everything, constant business redesign critical

Our strategies

- Work with and partner with, the companies disrupting our industry FB, Google, MSFT, Amazon
- Build and buy technology-enabled content and data businesses
- Develop higher level consulting organization able to deliver end-to-end solutions
- Leverage US assets and partnerships


Data
Technology
x
Innovation
Consulting
Content

Circle

- A B2B market research consultancy acquired under MIG in July
- Clients include Vodafone, Samsung and BSI
- Enhances B2B research presence for MIG and brings in further leadership talent
- Revenue of £2.2m and EBITDA of £1.0m in last financial year
- Paid £3.0m initially for the business, based on 4x EBITDA valuation
- Further consideration payable based on future performance

Velocity

- A UK based content marketing agency with primarily multi-national technology clients, such as Sprint, Xerox and Informatica, acquired in July
- 70% of revenue from US based clients
- Significant growth potential in US
- Revenue of £5.2m and adjusted PBT of £1.4m for last financial year
- Paid £5.9m which represents a valuation of 6x EBITDA for the business and £1.8m for the net assets
- Further consideration payable based on future performance

Charterhouse

- UK based market research consultancy acquired in September 2017, with clients including Barclays, Royal Bank of Scotland, Lloyds and HSBC
- Complimentary to Circle acquisition; access to financial services key management through the Business Banking Survey
- Revenue of £1.4m and EBITDA of £0.6m for last financial year
- Initial consideration of £1.8m for business based on 4x EBITDA valuation
- Further consideration payable based on future performance

Elvis

- UK based integrated digital agency focused on consumer brands acquired in September
- Clients include Cadbury, Honda, Stella Artois and Kenco
- Opportunity to partner with other Next 15 agencies as well as expand geographical footprint
- Consideration of £5.5m with £0.5m deferred, representing 5.5x adjusted EBITDA of £1m on revenue of £5.3m

Brandwidth

- UK based digital innovation agency acquired in February 2018
- Clients include Toyota, Royal Caribbean, Citroen, Kia and Vodafone
- Brings significant digital skills to the Group and exciting voice technology capabilities
- Initial consideration of £6.2m with further consideration payable based on future performance of up to £3.3m in September 2018 and £0.8m in April 2020
- Maximum total consideration of £10.3m represents a 5.5x multiple of adjusted EBIT for year ended 30 June 2017

Today

DATA

Encore

MIG Global incorporating:

- Morar HPI
- Circle
- VIGA
- Charterhouse

CONTENT

Bite

Blueshirt

M Booth

Outcast

Text 100

VRGE

Publitek

ODD

Velocity

TECHNOLOGY

Agent3

Beyond

Connections Media

Twogether

Elvis

Brandwidth

Income statement – Adj. results

£M	2018	2017	GROWTH %
Revenue	196.8	171.0	15%
EBITDA	34.4	29.0	19%
Operating profit	30.0	25.0	20%
Operating margin	15.3%	14.6%	
PBT	29.3	24.2	21%
Tax	(5.9)	(5.3)	
Minorities	(0.6)	(0.6)	
Retained profit	22.8	18.3	24%
Diluted EPS	27.8	23.4	19%
Dividend	6.30	5.25	20%

Adjustments breakdown

£M	2018	2017
Adjusted pre tax profits	29.3	24.2
Restructuring	(1.7)	(0.7)
Office moves	(0.5)	-
Deal costs	(0.5)	(0.4)
Share based payments	(3.1)	(10.5)
Unwinding of discount and change in estimate of earnout liabilities	(3.2)	(4.2)
Amortisation of acquired intangibles	(7.0)	(5.5)
Reported profit before tax	13.3	2.9

Regional breakdown

Regions	Revenue 2018 £M	Organic growth	Operating Profit £M	Margin 2018	Margin 2017	Comments
US	115.9	5.1%	23.2	20.0%	20.9%	Investment in taking some of our UK agencies to the US
UK	58.3	7.6%	13.0	22.3%	18.9%	Operational improvement and acquisitions
APAC	14.7	(0.7%)	2.0	13.6%	15.2%	Investments in talent, infrastructure and technology made
EMEA	7.9	3.4%	0.8	9.6%	9.0%	Continued improvement in revenue and profitability
HEAD OFFICE	-	-	(9.0)	-	-	
Total	**196.8**	**5.2%**	**30.0**	**15.3%**	**14.6%**	

Cash flow statement

£M	2018	2017
Inflow from op activities	33.1	26.5
Working capital	(4.2)	6.3
Net inflow from operations	28.9	32.8
Tax	(4.3)	(2.0)
Net capex	(4.2)	(8.9)
Acquisitions	(15.4)	(21.6)
Net interest and dividends paid	(6.4)	(5.2)
Exchange gain on net debt	1.2	0.1
(Increase) / Decrease in net debt	(0.2)	(4.8)
Net debt closing	11.6	11.4

Cash commitments

	31 Jan 18 £M
FY 2019	7.9
FY 2020	3.6
FY 2021	8.9
FY 2022	1.4
FY 2023	3.0
Total	**24.8**

Conclusion

Summary of the results:

- Revenue up 15% to £196.8m
- Organic revenue growth of 5.2%, with H2 organic growth of 8.3%
- Adjusted EBITDA up 19% at £34.4m
- Adjusted pre tax profits up 21% to £29.3m
- Dividend up 20% to 6.3p
- Net debt of £11.6m

- February and March trading at high single digit organic growth, continuing the growth achieved in H2 FY18
- Group is well placed for the next financial year

Appendices

Management team

Richard Eyre CBE
(Chairman)

Richard joined in 2011, he is also Chairman of the Internet Advertising Bureau. Prior to this he was Chairman of inter alia RDF Media, GCap and I Play. He was also a director of the Guardian Media Group, Chairman of the Eden Project, CEO of the ITV Network and CEO of Capital Radio.

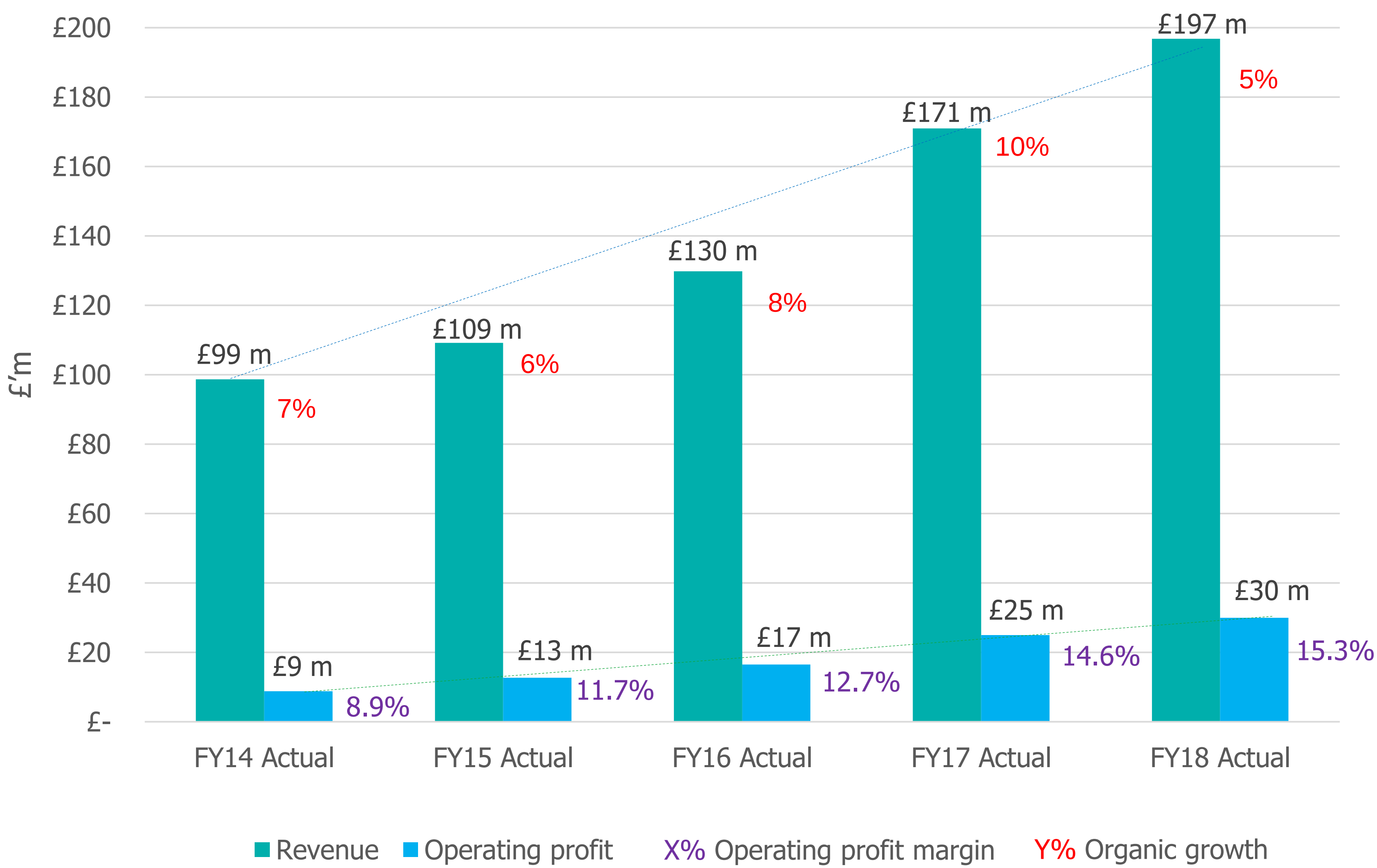
Tim Dyson
(CEO)

Tim joined the group in 1984 and became the global CEO in 1992. An early advocate of digital communications, he set up the group's first US business in Seattle in 1995. Tim has been instrumental in all of Next 15's M&A activities. He is on the board of a number of emerging tech companies.

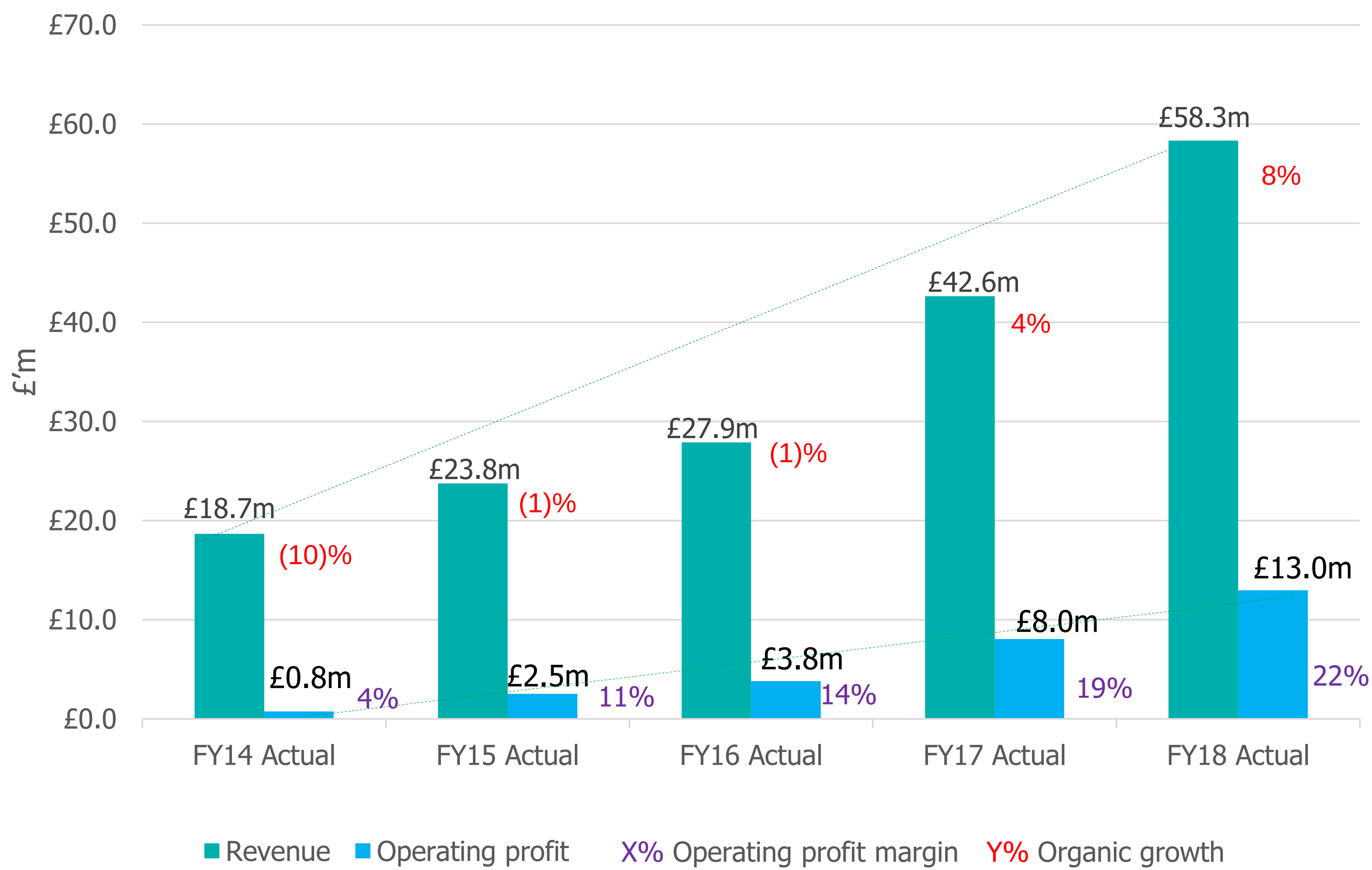
Peter Harris
(CFO)

Peter was appointed CFO in 2013. He is also a NED at Communisis. Prior to this, Peter was Interim CFO at Centaur Media and Bell Pottinger. He was CFO at the Engine Group and 19 Entertainment as well as Group Finance Director at Capital Radio.

5 year record

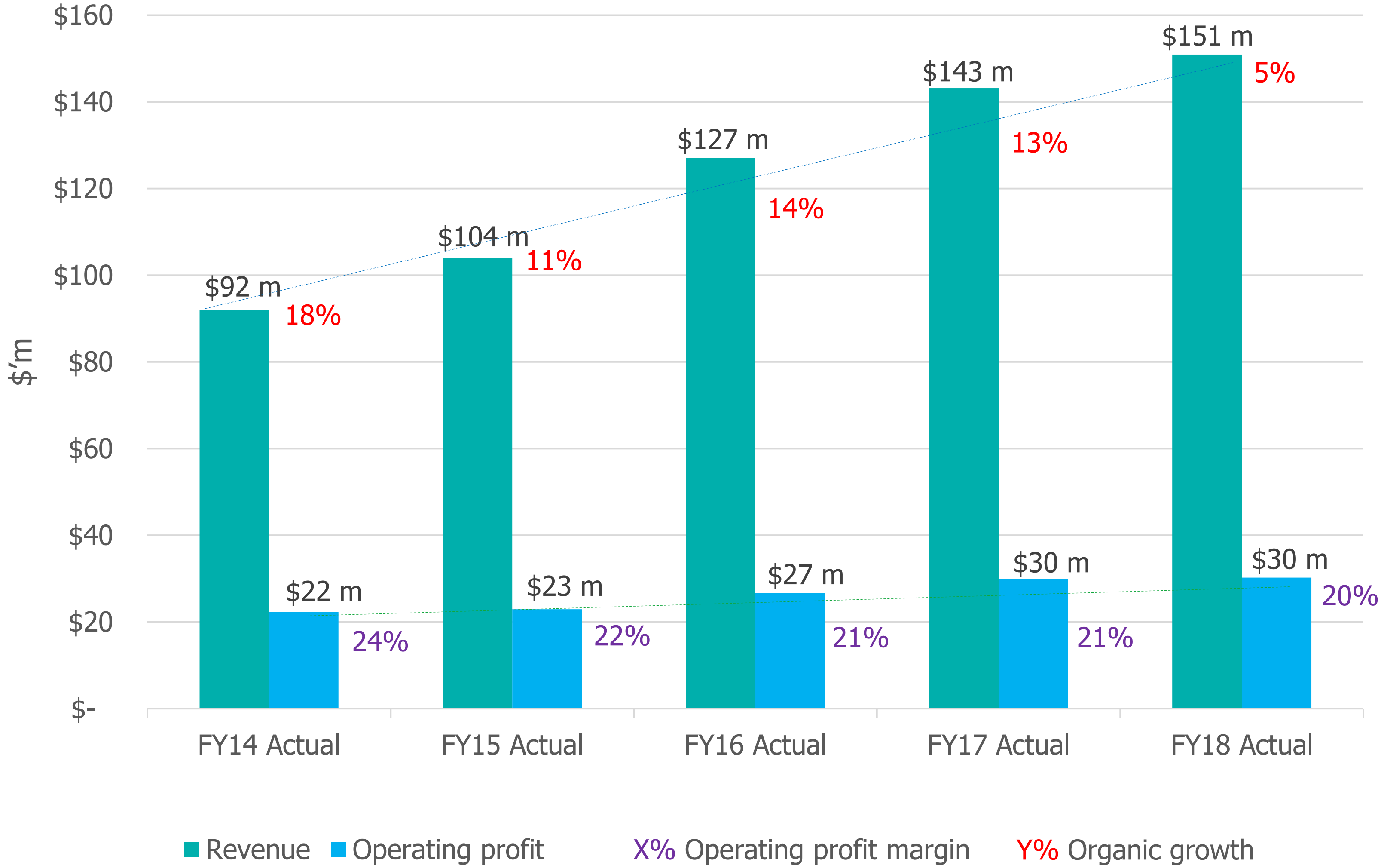


UK growth



£70.0
£60.0
£50.0
£40.0
£30.0
£20.0
£10.0
£0.0
£'m
£18.7m
(10)%
£0.8m
4%
£23.8m
(1)%
£2.5m
11%
£27.9m
(1)%
£3.8m
14%
£42.6m
4%
£8.0m
19%
£58.3m
8%
£13.0m
22%
FY14 Actual
FY15 Actual
FY16 Actual
FY17 Actual
FY18 Actual
Revenue
Operating profit
X% Operating profit margin
Y% Organic growth

US growth


$160
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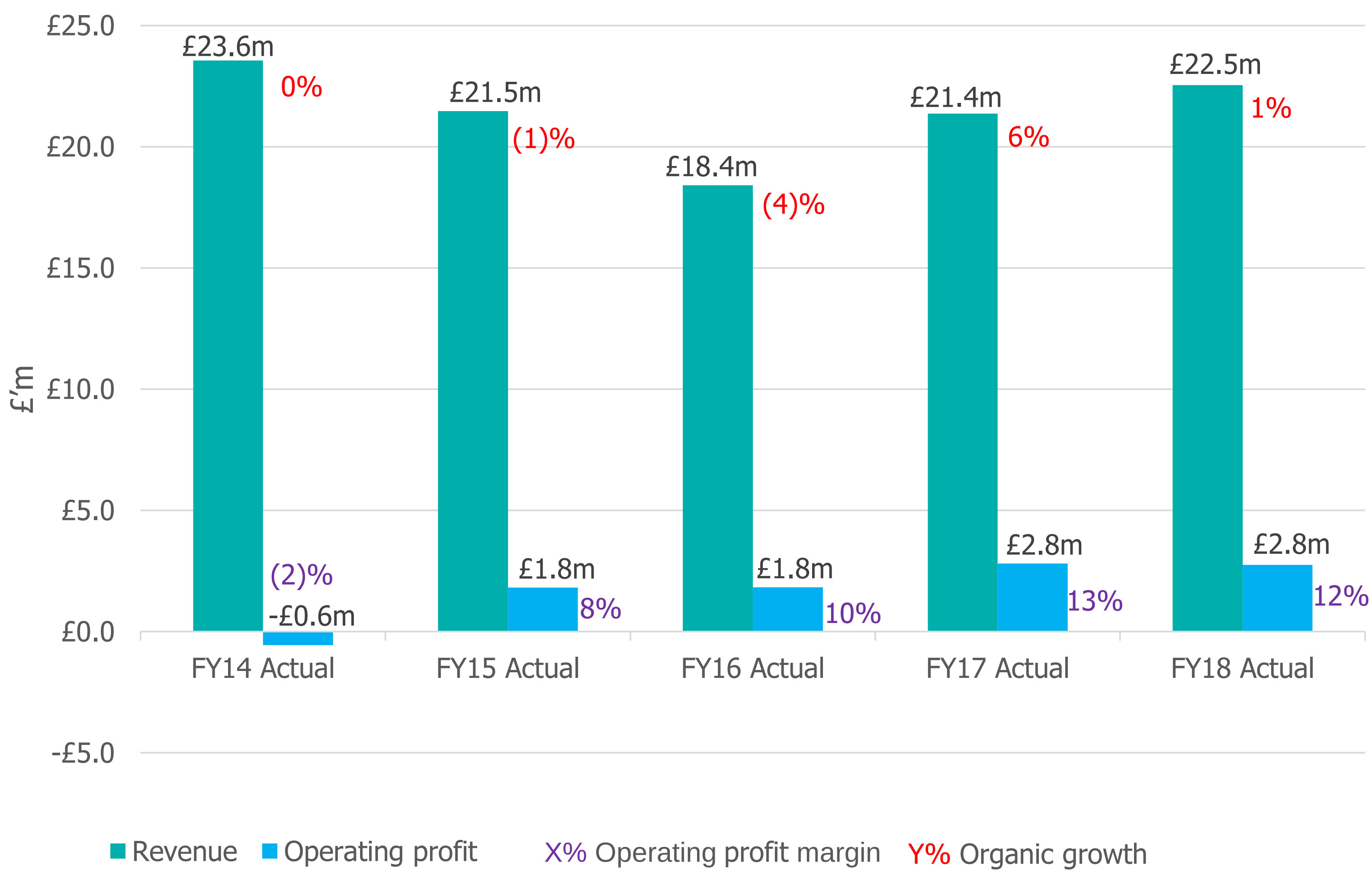
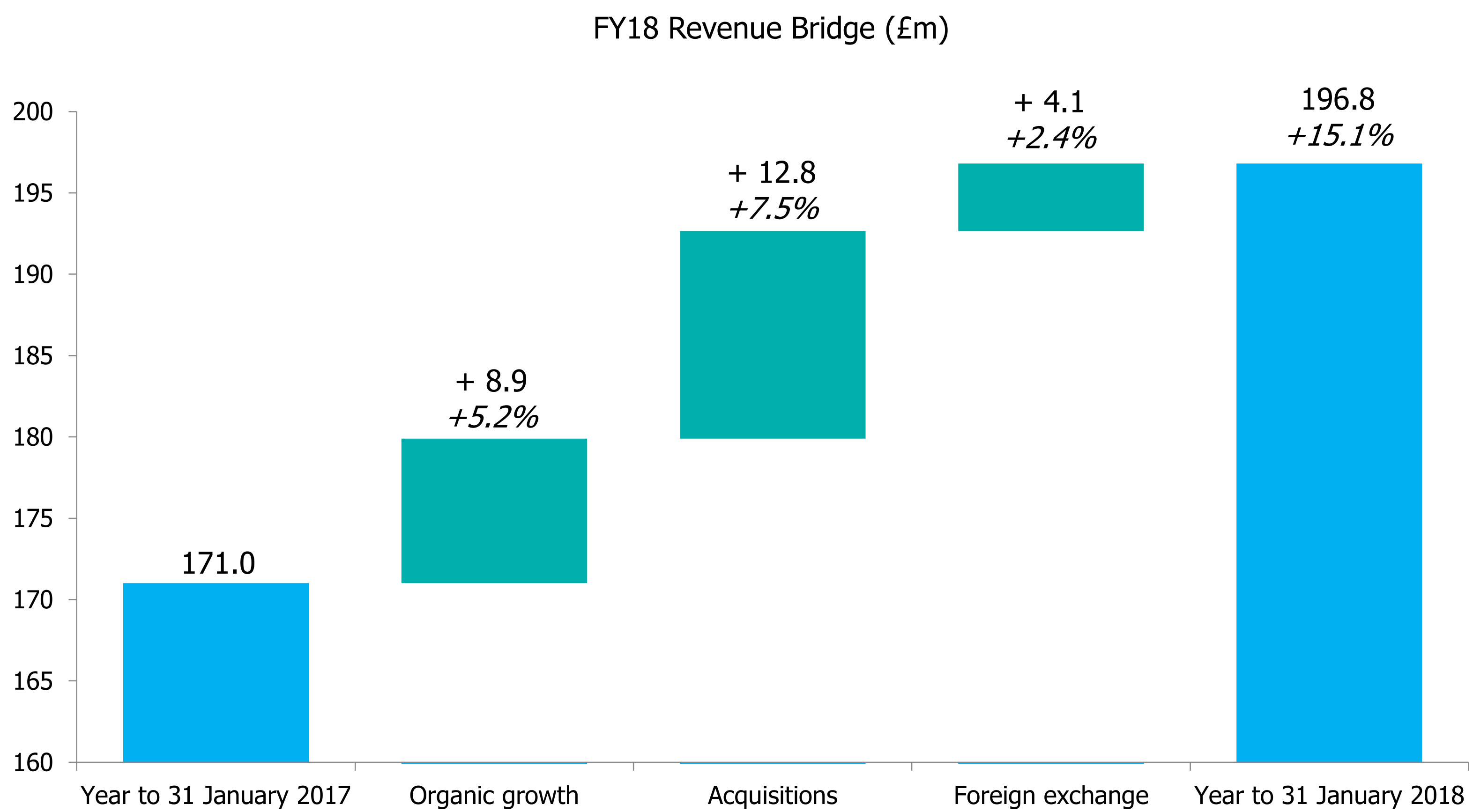
13%
$30 m
21%
$151 m
5%
$30 m
20%
FY14 Actual
FY15 Actual
FY16 Actual
FY17 Actual
FY18 Actual
Revenue
Operating profit
X% Operating profit margin
Y% Organic growth

EMEA & APAC growth



Top 20 customers

FY18 revenue bridge



Our growth 2013–2018

112%
REVENUE GROWTH 2013/18

191%
INCREASE IN EBITDA

Google Alphabet
LARGEST CLIENT 2018, NOT A MATERIAL CLIENT IN 2013

184%
DILUTED EPS GROWTH 2013/18

234%
INCREASE IN CASH GENERATED FROM OPERATIONS

75%
INCREASE IN EBITDA PER STAFF 2013/18

167%
INCREASE IN DIVIDENDS 2013/18

18%
ADJ ROCE POST TAX 2018

12 MONTHS TO JAN 2018 VS 12 MONTHS TO JAN 2013 EXCEPT WHERE STATED

Client analysis 2018

9%
INCREASE IN AVG CLIENT YIELD

44
CLIENTS GENERATING OVER $1M IN REVENUES 2018

46%
SHARE OF GROUP REVENUES FROM $1M PLUS CLIENTS

5%
INCREASE IN CLIENT NUMBERS (INCL ACQ)

16
TOP 20 CLIENTS IN 2018 IN TOP 20 CLIENTS 2017

89%
REVENUES GENERATED IN US AND UK

12 MONTHS TO JAN 2018 EXCEPT WHERE STATED

Balance sheet summary

£M	FY 2018	FY 2017
Intangible assets	94.8	80.0
Non-current assets	25.3	27.5
Current assets	74.6	64.8
Non-current liabilities	(58.8)	(54.2)
Current liabilities	(59.6)	(49.6)
Net assets	76.3	68.5
Share capital	1.9	1.8
Reserves	75.0	65.8
Minorities	(0.6)	0.9
Total equity	76.3	68.5
Net debt	11.6	11.4