28 September 2021

Next Fifteen Communications Group plc

(“Next 15” or the “Group”)

Interim results for the six months ended 31 July 2021

Strong performance driven by double digit net revenue growth across all four business segments

Next Fifteen Communications Group plc (AIM:NFC), the tech and data-driven growth consultancy, today announces its interim results for the six months ended 31 July 2021.

Financial results for the six months to 31 July 2021 (unaudited)

	Six months ended 31 July 2021 £m	Six months ended 31 July 2020 £m	Year on year change
Adjusted results[1]			
Net revenue	**165.9**	126.2	**32%**
Operating profit after interest on financial lease liabilities	**35.0**	21.2	**65%**
Operating profit margin	**21.1%**	16.8%	
Profit before tax	**35.0**	20.7	**69%**
Diluted EPS (p)	**26.3p**	17.4p	**51%**
Interim dividend per share (p)	**3.6p**	-	
Statutory results			
Revenue	**208.8**	153.1	36%
Operating profit/(loss)	**14.9**	(0.4)	
Profit/(loss) before tax	**3.1**	(3.4)	
Net cash inflow from operating activities	**27.3**	31.5	(13%)
Diluted loss per share (p)	**(2.9)p**	(3.6)p	19%

[1] Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the Group by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results within notes 2 and 3.

H1 Highlights

- Group net revenue growth of 32% to £165.9m (2020: £126.2m)
- Organic net revenue growth of 23%
- Adjusted profit before tax up 69% to £35.0m (2020: £20.7m)
- Adjusted diluted earnings per share increased by 51% to 26.3p (2020: 17.4p)
- Statutory revenue growth of 36% to £208.8m (2020: £153.1m)
- Statutory operating profit of £14.9m, up from a loss of £0.4m
- Strong balance sheet with net cash of £6.6m (2020: net debt of £5.0m)
- Successful refinancing, providing up to £100m of debt capacity to fund further acquisitions and capital investment
- Significant client wins including Boots, Citibank, Diageo and Disney+

- Acquisitions of Shopper Media Group ("SMG") and a controlling interest in Blueshirt Capital Advisers ("BCA"), both of which have performed strongly in the first half
- Acquisition of business and assets of MSI International East Inc ("MSI") by the US arm of Savanta

Current trading and outlook

The Group's strong trading has continued into the third quarter of our financial year, and we are currently seeing no sign of a slowdown in client demand. Despite being against a strong comparable period, we anticipate delivering double digit organic revenue growth in our second half. Our new positioning as a growth consultancy is clearly resonating with our clients and we are confident in a positive financial performance for the rest of the year.

The Group's strong balance sheet provides scope for further investments both in the businesses and in M&A to accelerate our longer term growth.

Commenting on the results, Chair of Next 15, Penny Ladkin-Brand said:

"Our first half results have seen very strong organic revenue and profit growth across all segments and we continue to benefit from the same momentum in our second half. The increasing mix of digital services is providing strong operating leverage although we are also taking the opportunity to accelerate investment in talent and product development to continue to drive longer term growth."

Next 15 will host an analyst and investor webcast at 12.00 today, Tuesday 28 September 2021.
The registration link can be found here:
https://us06web.zoom.us/webinar/register/WN_DbyvuhonThC-2cik4oUWmA

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Notes:

Net revenue

Net revenue is calculated as revenue less direct costs as shown on the Consolidated Income Statement.

Organic net revenue growth

Organic net 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.

About Next 15

Next 15 (AIM:NFC) is an AIM-listed tech and data-driven growth consultancy with operations in Europe, North America and across Asia Pacific. The Group has a strong track record of creating and acquiring high-performance businesses. For acquired businesses it offers an opportunity to take advantage of the Group's global operational infrastructure and centralized resources to accelerate their growth. The Group has long-term customer relationships with many of the world's leading companies including Google, Amazon, Facebook, Microsoft, IBM, American Express and Procter & Gamble.

The business operates across four segments, each of which describes how we help customers grow in different ways: Customer Insight helps them understand their opportunities and challenges; Customer Engagement optimises their reputation and digital assets; Customer Delivery helps them connect with customers to drive sales; and Business Transformation helps maximize long-term value through corporate positioning, business design and the development of new ventures.

At Next 15, success is underpinned by a people-led approach. Our purpose is to make our customers and our people the best versions of themselves, and our culture is empowering and respectful. We are seeking B Corp status as externally audited recognition of our commitment to our people and the planet alongside performance.

Our goal is to deliver above-market growth. Our revenues have grown by 106% over the last five years and we are aiming to double the size of the business in the next five years. This will be driven by the quality of the businesses, the strength of our customer relationships, the support our model gives them, and strong tech, data and digital tailwinds.

Chair and Chief Executive's Statement

Next 15, the growth consultancy, is pleased to report its interim results for the six months ended 31 July 2021.

During the period the Group's net revenues increased by 32% to £165.9m (2020: £126.2m), while adjusted profit before tax increased by 69% to £35.0m (2020: £20.7m). The positive revenue performance aided by the favourable revenue mix towards more higher margin services and improved operational gearing resulted in the Group's adjusted operating margin increasing to 21.1% (2020: 16.8%). Our minority interest increased to £2.0m (2020: £0.3m) due to exceptional performances from Agent3 and BCA, both of which have significant management minority shareholdings. Our tax rate on adjusted profit increased to 22% (2020: 20%) due to the increased proportion of our profit coming from our US operations. Despite this, our diluted adjusted EPS increased by 51% to 26.3p (2020: 17.4p) driven by the strong performance at an adjusted operating profit level. Continued strong cash generation resulted in our net cash increasing to £6.6m. This is after the recent acquisitions of SMG and BCA, in addition to other earn out and tax related payments, leaving the Group well placed to make further investments and acquisitions.

We are pleased to announce that the Group has returned to paying an interim dividend post its suspension in response to the pandemic. An interim dividend of 3.6p will be paid to shareholders on 26 November 2021. This represents a notional 20% increase on the interim dividend which we would have paid last year.

The performance has been strong across all four areas of the Group with all delivering double digit organic net revenue growth. Business Transformation was our fastest growing segment following the recent acquisitions of Mach 49 and BCA, with Delivery also showing exceptional organic growth as our clients reacted to the pandemic by increasing spend on more measurable products and services. Our Customer Insight and Customer Engagement segments also produced encouraging performances. A fuller financial analysis by segment is provided below.

Given the robust performance of the businesses, we are using the period to accelerate investment in productizing a number of areas of the Group and hire additional digital talent. While these investments will have a minor impact on margins this year, they are expected to help drive sustained long-term organic growth.

The Group reported a statutory operating profit of £14.9m compared with £0.4m loss in the prior period, while reported diluted loss per share was 2.9p compared with 3.6p in the prior period.

Segment adjusted performance

	Customer Engage £'000	Customer Delivery £'000	Customer Insight £'000	Business Transformation £'000	Head Office £'000	Total £'000
6 months ended 31 July 2021						
Net revenue	**91,170**	**36,295**	**18,760**	**19,724**	**-**	**165,949**
Adjusted operating profit / (loss) after interest on finance lease liabilities	**20,363**	**13,168**	**3,329**	**4,621**	**(6,476)**	**35,005**
Adjusted operating profit margin	**22.3%**	**36.3%**	**17.7%**	**23.4%**	**-**	**21.1%**
Organic net revenue growth	**14.6%**	**48.8%**	**22.3%**	**47.4%**	**-**	**23.1%**
6 months ended 31 July 2020						
Net revenue	82,711	22,623	15,299	5,525	-	126,158
Adjusted operating profit / (loss) after interest on finance lease liabilities	16,354	6,716	1,616	1,300	(4,814)	21,172
Adjusted operating profit margin	19.8%	29.7%	10.6%	23.5%	-	16.8%
Organic net revenue (decline)/growth	(11.4%)	12.7%	(8.0%)	2.9%	-	(6.6%)

Our **customer engagement** businesses are designed to help our customers optimize their brand reputation and build the mission-critical digital assets such as apps and websites that are the window through which much of the world's commerce is now transacted. Revenue grew by 10% to £91.2m, with operating profit of £20.4m, an increase of 25%, delivered at an improved operating margin of 22.3%. We have had positive performances across the board but MBooth has been the standout performer benefitting from a recovery in revenues from its more consumer-oriented client base and its broad range of service offerings. Archetype and Beyond's profitability have both risen significantly in the period due to resilient revenue performances and efficiency savings.

Customer delivery businesses are deeply specialised to use creativity, data, and analytics to create the connections with customers to drive sales and other forms of interaction. This link in the chain is increasingly digital. Businesses want to anticipate what their customers want and when they will want it. It is perhaps not surprising that this is a high growth area for our Group. Revenue grew by 60% to £36.3m, with operating profit almost doubling to £13.2m at an improved operating margin of 36.3%. Activate has continued to excel as its technology led client base has continued to see the benefit of using Activate's ROI driven lead generation services. Both Agent3 and Twogether have seen significant revenue and profit growth from their more integrated B2B client marketing offerings. We acquired Shopper Media Group, the commerce marketing activation business, in April which has made a very positive start as part of the Group.

Our **customer insight** businesses are set up to help customers understand the opportunities and challenges they face and arm them with the data and insights they need to make the best decisions. Revenue grew by 23% to £18.8m, with operating profit of £3.3m delivered at a much improved operating margin of 17.7%. Our Savanta business showed a strong recovery from a Covid-impacted comparable period. Within the period, Savanta acquired Youthsight, a UK based youth specialist agency, and MSI, a US based healthcare and financial services specialist agency in the period which will strengthen the performance in our second half.

Business transformation is where customers need our help to either redesign their business model or create entirely new ventures. It is also the area where we help our clients to understand how to maximise the value of the organisation. Revenue grew by 257% to £19.7m, with operating profit of £4.6m at an operating margin of 23.4%. Mach49, which we acquired in August last year, has performed exceptionally well as its clients have embraced its corporate venture building expertise and the business has evolved into a more retainer-based business. The Blueshirt Group and BCA, where we increased our shareholding to 51% in May 2021, both benefitted from the revival of the tech IPO market, while Palladium performed strongly as its focus on providing tech oriented due diligence and value creation services to the Private Equity market proved popular.

Reconciliation between statutory and adjusted profit

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000
Profit / (loss) before income tax	**3,135**	**(3,402)**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	3,343	2,182
Change in estimate of future contingent consideration and share purchase obligation payable	7,885	(366)
One-off charge for employee incentive schemes	5,803	189
Employment-related acquisition payments	5,794	1,699
Restructuring costs	-	2,052
Deal costs	242	178
Property (write back)/impairment	(990)	10,910
Amortisation of acquired intangibles	8,440	7,264
UK furlough grant	1,396	-
Adjusted profit before income tax	**35,048**	**20,706**

Adjusted financial measures are presented to provide additional information that may be useful to shareholders through facilitating comparability with industry peers and to best represent the underlying performance of the business. Adjusted results are explained and reconciled to statutory results within note 2 and 3.

We had a net charge of £7.9m in relation to our estimate of future contingent consideration, due to stronger trading than expected from Mach49 and Agent3. 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 £5.8m (2020: £1.7m). We also incurred a one-off £5.8m charge related to new incentive schemes for various brands.

Due to the success in subletting properties that were impaired in the prior year, a £1.0m credit has been incurred. Since the prior year end, we have repaid the furlough monies received from the UK government in full of £1.4m, which was also treated as an exceptional gain in the year to 31 January 2021. We incurred £0.2m of deal costs in relation to acquisitions, and the amortisation of acquired intangibles was £8.4m in the period.

Cashflow

Despite the unwinding of the benefits from government covid related schemes and a very strong revenue performance which negatively impacted our working capital, the Group delivered a resilient cashflow performance with the net cash inflow from operating activities of £27.3m compared to £31.5m in the prior period. This resulted in our net cash increasing to £6.6m as at 31 July 2021.

Bank refinancing

The Group completed a refinancing of its bank facilities on 2 September 2021. This involved a new three-year RCF with HSBC and Bank of Ireland for £60m, with two one-year extension options. As part of the arrangement the group has a £40m accordion option to facilitate future acquisitions.

Dividend

We are pleased to announce that the Group has returned to paying an interim dividend post its suspension in response to the pandemic. An interim dividend of 3.6p will be paid to shareholders on 26 November 2021, who hold shares on 29 October 2021. This represents a notional 20% increase on the interim dividend which we would have paid last year in the absence of the pandemic.

Current Trading and Outlook

The Group's strong trading has continued into the third quarter of our financial year and we are currently seeing no sign of a slowdown in client demand, despite being against a tough comparable period in our second half. Our new positioning as a growth consultancy is clearly resonating with our clients and we are confident of a positive financial performance for the rest of the year.

The Group's strong balance sheet provides scope for further investments both in the businesses and in M&A to accelerate our long term growth.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX-MONTH PERIOD ENDED 31 July 2021

	Note	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000	12 months ended 31 January 2021 (Audited) £'000
Revenue		208,756	153,100	323,668
Direct costs		(42,807)	(26,942)	(56,782)
Net revenue	2	**165,949**	**126,158**	**266,886**
Staff costs		122,419	88,836	189,530
Depreciation		4,681	6,618	11,609
Amortisation		9,269	7,960	16,394
Other operating charges		14,705	23,108	35,665
Total operating charges		(151,074)	(126,522)	(253,198)
Operating profit/(loss)	2	**14,875**	**(364)**	**13,688**
Finance expense	6	(12,776)	(4,985)	(16,884)
Finance income	7	827	1,888	1,459
Share of profit from associate		209	59	431
Profit/(loss) before income tax	3	**3,135**	**(3,402)**	**(1,306)**
Income tax (expense)/credit	4	(3,998)	408	(2,643)
Loss for the period		**(863)**	**(2,994)**	**(3,949)**
Attributable to:				
Owners of the parent		(2,844)	(3,330)	(4,938)
Non-controlling interests		1,981	336	989
		(863)	**(2,994)**	**(3,949)**
Loss per share				
Basic (pence)	8	(3.1)	(3.8)	(5.5)
Diluted (pence)	8	(2.9)	(3.6)	(5.3)

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 July 2021

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000	12 months ended 31 January 2021 (Audited) £'000
Loss for the period	**(863)**	**(2,994)**	**(3,949)**
Other comprehensive (expense) / income:			
Items that may be reclassified into profit or loss			
Exchange differences on translating foreign operations	(711)	473	(1,395)
	(711)	473	(1,395)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of investments	329	5	(117)
Total other comprehensive (expense) / income for the period	(382)	478	(1,512)
Total comprehensive expense for the period	**(1,245)**	**(2,516)**	**(5,461)**
Attributable to:			
Owners of the parent	(3,226)	(2,852)	(6,450)
Non-controlling interests	1,981	336	989
	(1,245)	**(2,516)**	**(5,461)**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000
Net revenue	**165,949**	**126,158**
Total operating charges	(124,879)	(96,916)
Depreciation and amortisation	(5,510)	(7,314)
Operating profit	**35,560**	**21,928**
Interest on finance lease liabilities	(555)	(756)
Operating profit after interest on finance lease liabilities	**35,005**	**21,172**
Operating profit margin	*21.1%*	*16.8%*
Net finance expense excluding interest on finance lease liabilities	(166)	(525)
Share of profits of associate	209	59
Profit before income tax	**35,048**	**20,706**
Tax	(7,739)	(4,141)
Retained profit	**27,309**	**16,565**
Weighted average number of ordinary shares	91,992,850	88,542,197
Diluted weighted average number of ordinary shares	96,443,000	93,197,615
Adjusted earnings per share	27.5p	18.3p
Diluted adjusted earnings per share	26.3p	17.4p
Cash inflow from operating activities	27,300	31,536
Cash outflow on acquisition related payments	(24,733)	(18,350)
Net cash/(debt)	6,622	(4,993)
Dividend (per share)	3.6p	-

NEXT FIFTEEN COMMUNICATIONS GROUP PLC
CONSOLIDATED BALANCE SHEET AS AT 31 July 2021

	Note	31 July 2021 (Unaudited) £'000	31 July 2020 (Unaudited) £'000	31 January 2021 (Audited) £'000
Assets				
Property, plant and equipment		8,753	10,048	8,904
Right-of-use assets		22,967	27,623	26,008
Intangible assets		183,763	157,332	163,777
Investment in equity-accounted associate		-	123	254
Investments in financial assets		1,343	1,080	955
Deferred tax asset		15,875	15,233	15,314
Other receivables		823	590	860
Total non-current assets		233,524	212,029	216,072
Trade and other receivables		115,612	68,634	77,530
Cash and cash equivalents	9	27,342	30,191	26,831
Corporation tax asset		776	1,943	1,215
Total current assets		143,730	100,768	105,576
Total assets		**377,254**	**312,797**	**321,648**
Liabilities				
Loans and borrowings	9	-	30,184	7,810
Deferred tax liabilities		2,729	4,932	3,229
Lease liabilities		26,456	35,147	31,812
Other payables		1,482	1,193	1,576
Provisions		7,455	3,949	7,140
Contingent consideration	10	20,694	20,615	36,194
Other contingent liability	10	3,927	-	-
Share purchase obligation	10	8,183	1,670	5,302
Total non-current liabilities		70,926	97,690	93,063
Loans and borrowings	9	20,720	5,000	5,000
Trade and other payables		115,455	66,988	77,319
Lease liabilities		10,851	11,038	10,957
Provisions		5,721	2,700	5,656
Corporation tax liability		1,612	2,510	604
Deferred consideration	10	125	1,424	1,262
Contingent consideration	10	28,683	8,666	9,700
Share purchase obligation	10	1,480	1,263	1,206
Total current liabilities		184,647	99,589	111,704
Total liabilities		**255,573**	**197,279**	**204,767**
TOTAL NET ASSETS		**121,681**	**115,518**	**116,881**
Equity				
Share capital		2,317	2,265	2,274
Share premium reserve		103,952	90,838	92,408
Foreign currency translation reserve		5,455	8,034	6,166
Other reserves		(2,065)	(2,065)	(2,065)
Retained earnings		10,793	16,890	18,174
Total equity attributable to owners of the parent		**120,452**	**115,962**	**116,957**
Non-controlling interests		1,229	(444)	(76)
TOTAL EQUITY		**121,681**	**115,518**	**116,881**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 31 July 2021

	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 2020 (audited)	**2,163**	**76,019**	**7,561**	**(2,065)**	**29,618**	**113,296**	**(585)**	**112,711**
(Loss) / profit for the period	-	-	-	-	(3,330)	(3,330)	336	(2,994)
Other comprehensive income for the period	-	-	473	-	5	478	-	478
Total comprehensive income / (expense) for the period	-	-	473	-	(3,325)	(2,852)	336	(2,516)
Shares issued on satisfaction of vested share options	64	9,253	-	-	(9,317)	-	-	-
Shares issued on acquisitions	38	5,566	-	-	-	5,604	-	5,604
Movement in relation to share-based payments	-	-	-	-	273	273	-	273
Movement on reserves for non-controlling interests	-	-	-	-	(359)	(359)	359	-
Non-controlling interest dividend	-	-	-	-	-	-	(554)	(554)
At 31 July 2020 (unaudited)	**2,265**	**90,838**	**8,034**	**(2,065)**	**16,890**	**115,962**	**(444)**	**115,518**
(Loss) / profit for the period	-	-	-	-	(1,608)	(1,608)	653	(955)
Other comprehensive expense for the period	-	-	(1,868)	-	(122)	(1,990)	-	(1,990)
Total comprehensive (expense) / income for the period	-	-	(1,868)	-	(1,730)	(3,598)	653	(2,945)
Shares issued on satisfaction of vested share options	5	909	-	-	(914)	-	-	-
Shares issued on acquisitions	4	661	-	-	-	665	-	665
Movement in relation to share-based payments	-	-	-	-	3,775	3,775	-	3,775
Movement on reserves for non-controlling interests	-	-	-	-	153	153	(153)	-
Non-controlling interest dividend	-	-	-	-	-	-	(132)	(132)
At 31 January 2021 (audited)	**2,274**	**92,408**	**6,166**	**(2,065)**	**18,174**	**116,957**	**(76)**	**116,881**
(Loss) / profit for the period	-	-	-	-	(2,844)	(2,844)	1,981	(863)
Other comprehensive (expense) / income for the period	-	-	**(711)**	-	329	(382)	-	(382)
Total comprehensive (expense) / income for the period	-	-	**(711)**	-	(2,515)	(3,226)	1,981	(1,245)
Shares issued on satisfaction of vested share options	20	4,763	-	-	(4,783)	-	-	-
Shares issued on acquisitions	23	6,781	-	-	-	6,804	-	6,804
Movement in relation to share-based payments	-	-	-	-	6,346	6,346	-	6,346
Dividends to owners of the parent	-	-	-	-	(6,491)	(6,491)	-	(6,491)
Movement on reserves for non-controlling interests	-	-	-	-	62	62	(62)	-
Non-controlling interest purchased in the period	-	-	-	-	-	-	564	564
Non-controlling interest dividend	-	-	-	-	-	-	(1,178)	(1,178)
At 31 July 2021 (unaudited)	**2,317**	**103,952**	**5,455**	**(2,065)**	**10,793**	**120,452**	**1,229**	**121,681**

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

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED 31 July 2021

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000	Twelve months ended 31 January 2021 (Audited) £'000
Cash flows from operating activities			
Loss for the period	(863)	(2,994)	(3,949)
Adjustments for:			
Depreciation	4,681	6,618	11,609
Amortisation	9,269	7,960	16,394
Finance expense	12,776	4,985	16,884
Finance income	(827)	(1,888)	(1,459)
Share of profit from equity accounted associate	(209)	(59)	(431)
Impairment of RoU assets	-	7,664	8,503
Loss on sale/impairment of property, plant and equipment	741	5,753	6,885
Gain on exit of finance lease	(1,196)	(2,327)	(2,327)
Income tax expense	3,998	(408)	2,643
Employment linked acquisition provision charge	5,794	1,699	8,041
IFRS 2 charges	7,411	502	3,587
Net cash inflow from operating activities before changes in working capital	**41,575**	**27,505**	**66,380**
Change in trade and other receivables	(25,659)	1,607	(5,692)
Change in trade and other payables	16,506	6,962	12,942
Change in other liabilities	(53)	(1,524)	(697)
	(9,206)	7,045	6,553
Net cash generated from operations before tax and interest outflows	**32,369**	**34,550**	**72,933**
Income taxes paid	(5,069)	(3,014)	(8,423)
Net cash inflow from operating activities	**27,300**	**31,536**	**64,510**
Cash flows from investing activities			
Acquisition of subsidiaries and trade and assets, net of cash acquired	(11,477)	(4,237)	(8,097)
Payment of contingent and deferred consideration	(13,256)	(14,113)	(15,539)
Purchase of investment	(60)	-	-
Acquisition of property, plant and equipment	(1,444)	(1,028)	(1,998)
Proceeds on disposal of property, plant and equipment	2	2	4
Acquisition of intangible assets	(1,505)	(1,059)	(2,109)
Net movement in long-term cash deposits	(39)	120	(82)
Income from finance lease receivables	597	434	780
Interest received	22	33	47
Net cash outflow from investing activities	**(27,160)**	**(19,848)**	**(26,994)**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE SIX MONTH PERIOD ENDED 31 July 2021

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000	Twelve months ended 31 January 2021 (Audited) £'000
Cash flows from financing activities			
Repayment of lease liabilities	(5,846)	(6,235)	(12,647)
Net movement in bank borrowings	7,945	(3,000)	(24,912)
Interest on borrowings paid	(219)	(578)	(881)
Dividend and profit share paid to non-controlling interest partners	(1,178)	(554)	(686)
Net cash inflow/(outflow) from financing activities	**702**	**(10,367)**	**(39,126)**
Net increase/(decrease) in cash and cash equivalents	**842**	**1,321**	**(1,610)**
Cash and cash equivalents at beginning of the period	26,831	28,661	28,661
Exchange (loss)/gains on cash held	(331)	209	(220)
Cash and cash equivalents at end of the period	**27,342**	**30,191**	**26,831**

NOTES TO THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 July 2021

1) BASIS OF PREPARATION

The unaudited consolidated interim financial statements represent a condensed set of financial information and have been prepared using the recognition and measurement principles of International Accounting Standards, and in accordance with IAS 34, Interim Financial Reporting. 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 2021.

The comparative financial information for the year ended 31 January 2021 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.

The Group has previously reported its results split into three divisions: Brand Marketing, Data and Insights and Creative Technology. From 1 February 2021, the Group structure has been enhanced, moving from three divisions to four: Customer Insight, Customer Engagement, Customer Delivery and Business Transformation.

	Customer Engage £'000	Customer Delivery £'000	Customer Insight £'000	Business Transfor mation £'000	Head Office £'000	Total £'000
6 months ended 31 July 2021 (Unaudited)						
Net revenue	**91,170**	**36,295**	**18,760**	**19,724**	**-**	**165,949**
Adjusted operating profit / (loss) after interest on finance lease liabilities	**20,363**	**13,168**	**3,329**	**4,621**	**(6,476)**	**35,005**
Adjusted operating profit margin[1]	**22.3%**	**36.3%**	**17.7%**	**23.4%**	**-**	**21.1%**
Organic net revenue growth	**14.6%**	**48.8%**	**22.3%**	**47.4%**	**-**	**23.1%**
6 months ended 31 July 2020 (Unaudited)						
Net revenue	82,711	22,623	15,299	5,525	-	126,158
Adjusted operating profit / (loss) after interest on finance lease liabilities	16,354	6,716	1,616	1,300	(4,814)	21,172
Adjusted operating profit margin[1]	19.8%	29.7%	10.6%	23.5%	-	16.8%
Organic net revenue growth	(11.4%)	12.7%	(8.0%)	2.9%	-	(6.6%)
Year ended 31 January 2021 (Unaudited)						
Net revenue	166,534	49,557	33,073	17,722	-	266,886
Adjusted operating profit / (loss) after interest on finance lease liabilities	36,866	15,232	4,876	3,906	(11,394)	49,486
Adjusted operating profit margin[1]	22.1%	30.7%	14.7%	22.0%	-	18.5%
Organic net revenue growth	(9.2%)	17.2%	(3.6%)	9.0%	-	(3.4%)

[1] Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2021

2) SEGMENT INFORMATION (continued)

	UK £'000	Europe and Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Six months ended 31 July 2021 (Unaudited)						
Net revenue	**64,626**	**4,713**	**89,302**	**7,308**	**-**	**165,949**
Adjusted operating profit / (loss) after interest on finance lease liabilities	**14,309**	**1,050**	**25,210**	**912**	**(6,476)**	**35,005**
Adjusted operating profit margin[1]	**22.1%**	**22.3%**	**28.2%**	**12.5%**	**-**	**21.1%**
Organic revenue growth	**19.7%**	**13.6%**	**26.9%**	**13.3%**	**-**	**23.1%**
Six months ended 31 July 2020 (Unaudited)						
Net revenue	46,773	4,228	68,657	6,500	-	126,158
Adjusted operating profit / (loss) after interest on finance lease liabilities	8,955	868	15,011	1,152	(4,814)	21,172
Adjusted operating profit margin[1]	19.1%	20.5%	21.9%	17.7%	-	16.8%
Organic revenue growth	(11.9%)	(3.3%)	(2.6%)	(6.2%)	-	(6.6%)
Twelve months ended 31 January 2021 (Audited)						
Net revenue	106,247	8,610	138,383	13,646	-	266,886
Adjusted operating profit / (loss) after interest on lease liabilities	22,402	1,997	34,150	2,331	(11,394)	49,486
Adjusted operating profit margin[1]	21.1%	23.2%	24.7%	17.1%	-	18.5%
Organic net revenue decline	(6.4%)	(4.7%)	(0.8%)	(5.5%)	-	(3.4%)

[1] Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.

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

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000	Twelve months ended 31 January 2021 (Audited) £'000
Segment adjusted operating profit after interest on finance lease liabilities	**35,005**	**21,172**	**49,486**
Interest on finance lease liabilities	555	756	1,408
Segment adjusted operating profit	**35,560**	**21,928**	**50,894**
Amortisation of acquired intangibles (note 3)	(8,440)	(7,264)	(15,002)
One-off charge for employee incentive schemes (note 3)	(5,803)	(189)	(2,424)
Employment-related acquisition payments (note 3)	(5,794)	(1,699)	(8,041)
Restructuring costs (note 3)	-	(2,052)	(2,746)
Property write back/(impairment) (note 3)	990	(10,910)	(10,018)
UK furlough grant (note 3)	(1,396)	-	1,396
Deal costs (note 3)	(242)	(178)	(371)
Operating profit/(loss)	**14,875**	**(364)**	**13,688**

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2021

3) RECONCILIATION OF ADJUSTED FINANCIAL MEASURES

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000	Twelve months ended 31 January 2021 (Audited) £'000
Profit/(loss) before income tax	**3,135**	**(3,402)**	**(1,306)**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1]	3,343	2,182	5,153
Change in estimate of future contingent consideration and share purchase obligation payable[1]	7,885	(366)	8,064
One-off charge for employee incentive schemes[2]	5,803	189	2,424
Employment-related acquisition payments[3]	5,794	1,699	8,041
Restructuring costs[4]	-	2,052	2,746
Deal costs[5]	242	178	371
Property (write back)/impairment [6]	(990)	10,910	10,018
UK furlough grant[7]	1,396	-	(1,396)
Amortisation of acquired intangibles[8]	8,440	7,264	15,002
Adjusted profit before income tax	**35,048**	**20,706**	**49,117**

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 in Brandwidth Marketing Limited and Publitek Limited (total of £0.6m) (2020: Savanta Group 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. The remaining £5.2m of the charge relates to an additional new incentive scheme for the sellers of Activate. This value is recognised as a one-off charge in the income statement in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands.

[3] This charge relates to payments linked to the continuing employment of the sellers which is being recognised over the required period of employment. Although these costs are not exceptional or non-recurring, the Group determined they should be excluded from the underlying performance as the costs solely relate to acquiring the business. The sellers of the business are typically paid market salaries and bonuses in addition to these acquisition-related payments and therefore the Group determines these costs solely relate to acquiring the business. Adjusting for these within the Group's adjusted performance measures gives a better reflection of the Group's profitability and enhances comparability year-on-year.

[4] In the prior period the Group incurred restructuring costs which primarily related to Covid-19 redundancy costs taken in the period in response to the pandemic. These costs related to specific transformational events and they did not relate to underlying trading of the relevant brands.

[5] This charge relates to third party professional fees incurred during acquisitions.

[6] In the current period the Group has recognised gains relating to the reorganisation of the property space across the Group. The majority of the credit relates to right-of-use assets which were impaired in the prior year and have subsequently been sublet or assigned ahead of expectation. The Group has adjusted for this credit to align to the treatment of the impairment in the prior year and because the additional one-off credit does not relate to the underlying trading of the business and therefore added back to aid comparability.

[7] As a result of Covid-19, a number of the UK agencies received government support from the UK furlough scheme in the prior period. During the current year the Group has repaid all amounts received from the UK government. As a result of the receipt and repayment being accounted for in two separate years, the amounts are added back to aid comparability of the Group's profitability year on year.

[8] In line with its peer group, the Group adds back amortisation of acquired intangibles. 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.

FOR THE SIX MONTHS ENDED 31 July 2021

4) TAXATION

The tax charge for the six months ended 31 July 2021 is based on the Group's estimated effective tax rate for the year ending 31 January 2022 of 22% (six months ended 31 July 2020 of 20%).

5) DIVIDENDS

An interim dividend of 3.6p (six months ended 31 July 2020: nil) per ordinary share will be paid on 26 November 2021 to shareholders listed on the register of members on 29 October 2021. Shares will go ex-dividend on 28 October 2021. The last date for DRIP elections to be returned to the registrar is 5 November 2021.

6) FINANCE EXPENSE

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000	Twelve months ended 31 January 2021 (Audited) £'000
Financial liabilities at amortised cost			
Bank interest payable	217	575	877
Interest on finance lease liabilities	555	756	1,408
Financial liabilities at fair value through profit and loss			
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable[1]	3,343	2,182	5,153
Change in estimate of future contingent consideration and share purchase obligation payable[1]	8,659	1,470	9,442
Other			
Other interest payable	2	2	4
Finance expense	**12,776**	**4,985**	**16,884**

[1]These items are adjusted for in calculating the adjusted net finance expense.

7) FINANCE INCOME

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000	Twelve months ended 31 January 2021 (Audited) £'000
Financial assets at amortised cost			
Bank interest receivable	14	19	43
Finance lease interest receivable	31	20	34
Financial assets at fair value through profit and loss			
Change in estimate of future contingent consideration and share purchase obligation payable[1]	774	1,836	1,378
Other interest receivable	8	13	4
Finance income	**827**	**1,888**	**1,459**

[1]These items are adjusted for in calculating the adjusted net finance expense.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2021

8) EARNINGS PER SHARE

	Six months ended 31 July 2021 (Unaudited) £'000	Six months ended 31 July 2020 (Unaudited) £'000	Twelve months ended 31 January 2021 (Audited) £'000
Loss attributable to ordinary shareholders	(2,844)	(3,330)	(4,938)
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable	3,343	2,182	5,153
Change in estimate of future contingent consideration and share purchase obligation payable	7,885	(366)	8,064
One-off charge for employee incentive schemes	5,803	189	2,424
Restructuring costs	-	2,052	2,746
Property (write back)/impairment	(990)	10,910	10,018
UK Furlough grant	1,396	-	(1,396)
Employment-related acquisition payments	5,794	1,699	8,041
Amortisation of acquired intangibles	8,440	7,264	15,002
Deal costs	242	178	371
Tax effect of adjusting items above	(3,741)	(4,549)	(7,280)
Adjusted earnings attributable to ordinary shareholders	**25,328**	**16,229**	**38,205**
	Number	**Number**	**Number**
Weighted average number of ordinary shares	91,992,850	88,542,197	89,382,909
Dilutive LTIP & Options shares	1,945,908	609,071	820,997
Dilutive Growth Deal shares	947,547	1,711,629	1,552,359
Other potentially issuable shares	1,556,695	2,334,718	2,062,239
Diluted weighted average number of ordinary shares	96,443,000	93,197,615	93,818,504
Basic loss per share	(3.1)p	(3.8)p	(5.5)p
Diluted loss per share	(2.9)p	(3.6)p	(5.3)p
Adjusted earnings per share	27.5p	18.3p	42.7p
Diluted adjusted earnings per share	26.3p	17.4p	40.7p

Adjusted and diluted adjusted earnings per share have been presented to provide additional information which may be useful to shareholders through facilitating comparability with industry peers. The adjusted earnings per share is the performance measure used for the vesting of employee performance shares.

9) NET DEBT

The HSBC Bank revolving credit facility of £40m expires in July 2022 and therefore the outstanding balance has been classified in current borrowings. The £20m loan drawn from HSBC is repayable in annual instalments and has £5m left to be repaid in December 2021. The group completed a refinancing of its bank facilities in September 2021 to include a new three year RCF for £60m, refer to note 11 for details.

	31 July 2021 (Unaudited) £'000	31 July 2020 (Unaudited) £'000	31 January 2021 (Audited) £'000
Cash and cash equivalents	27,342	30,191	26,831
Less: total loans and borrowings	(20,720)	(35,184)	(12,810)
Net cash/(debt)	**6,622**	**(4,993)**	**14,021**
Share purchase obligation	(9,663)	(2,933)	(6,508)
Contingent consideration	(49,377)	(29,281)	(45,894)
Deferred consideration	(125)	(1,424)	(1,262)
Other contingent liability	(3,927)	-	-
	(56,470)	**(38,631)**	**(39,643)**

10) OTHER FINANCIAL LIABILITIES

	Deferred consideration £'000	Contingent consideration £'000	Other Contingent Liability £'000	Share purchase obligation £'000
At 31 January 2020 (Audited)	2,715	42,181	-	3,367
Arising during the period	-	417	-	-
Reclassification	2,405	(2,405)	-	-
Change in estimate	-	258	-	(624)
Exchange differences	-	3	-	7
Utilised	(3,811)	(13,057)	-	-
Unwinding of discount	115	1,884	-	183
At 31 July 2020 (Unaudited)	**1,424**	**29,281**	**-**	**2,933**
Arising during the period	-	12,468	-	-
Reclassification	-	-	-	-
Change in estimate	-	5,074	-	3,356
Exchange difference	-	(1,982)	-	(57)
Utilised	(226)	(1,578)	-	-
Unwinding of discount	64	2,631	-	276
At 31 January 2021 (Audited)	1,262	45,894	-	6,508
Arising during the period	-	5,626	3,888	-
Reclassification	125	(125)	-	-
Change in estimate	-	5,148	-	2,737
Exchange differences	-	(521)	-	(16)
Utilised	(1,301)	(9,476)	-	-
Unwinding of discount	39	2,831	39	434
At 31 July 2021 (Unaudited)	**125**	**49,377**	**3,927**	**9,663**
Current	125	28,683	-	1,480
Non-current	-	20,694	3,927	8,183

11) EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of MSI

On 1 August 2021, the US arm of the Group's largest customer insight business, Savanta, acquired the business and assets of MSI International East Inc ("MSI"), a New Jersey based market research agency. This is a further step in the ambition for half of Savanta's revenues to be delivered from its US arm. MSI's clients include a variety of Fortune 500 companies across the Healthcare, Pharmaceutical, Investment, Insurance, IT/Security and Retirement sectors.

Bank Refinancing

The Group completed a refinancing of its bank facilities on 2 September 2021. This involved a new three year RCF with HSBC and Bank of Ireland for £60m, with two one year extension options. As part of the arrangement the Group has a £40m accordion option to facilitate future acquisitions.