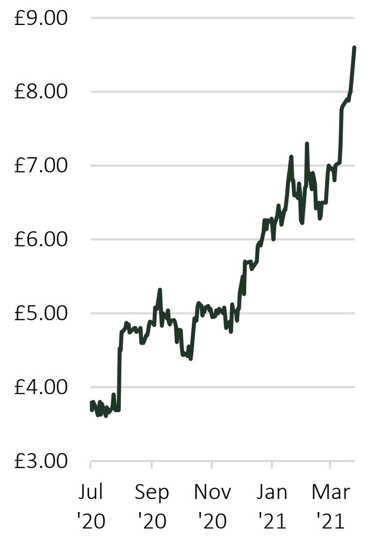
Next Fifteen Communications Group PLC

NFC | AIM | Media | 860p | £789m

FY21 final results – Organic growth & margin strength

1 Year Chart



21st April 2021

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MiFID II – this research is deemed to be a minor, non-monetary benefit.

Given the strength of the H2 trading commentary and ensuing earnings upgrades, it is not surprising that NFC shares have been very strong performers year to date (+52% versus FTSE All Share +9%). The references made at the final results to current trading remaining ahead of expectations has laid the ground for what is likely to be a very strong 2021. The group's evolving mix of digital marketing and direct demand generation, coupled with the persistent strength of the core North American tech client base has seen the group exit the pandemic in rude health. Clearly, tail risks remain but NFC has more than demonstrated its ability to trade through. With the group now operating from a leaner physical footprint, the risks to earnings clearly lie on the upside.

The shares are now trading at all time highs in absolute terms and currently stand at a FY22E PE multiple of 18.3x. This PE multiple still represents a discount to the immediate Media peer group but does represent a break-out from the historic 10x – 15x PE range that NFC has typically traded within. The key issue for investors will be the sustainability of current momentum and the implication for margins. In our view, NFC has always been a structural growth story independent of the macro cycle. We also see margins being driven by a combination of revenue mix and cost savings and see no reason why a low 20% EBIT margin cannot be achieved and maintained.

- **FY21 – year of extremes:** To deliver record revenue and profit in a year disrupted to the extent it was in H1 speaks to both the positioning of the group in areas insulated from the worst cyclical effects but also the speed of management reaction. Any macro shock is always going to place marketing spend under the microscope and the resilience of NFC's agencies speaks volumes to the role they play for their clients.
- **Return to organic growth coupled with margin gains:** With the US moving back into organic growth and Q3, with the UK following in Q4, FY22 is now expected to be a year of healthy organic growth, weak comparatives notwithstanding. The substantial property savings secured during FY21 have yet to fully wash through and support further margin gains through FY22.
- **Back on the acquisition trail:** the acquisition of Shopper Media Group marks a return to the NFC M&A story, which was understandably disrupted by the pandemic. Shopper Media is a data led, point of sale marketing group which is growing quickly and delivering a c.40% operating margin. The deal is expected to deliver c.£3m of incremental EBIT in FY22 and will be earnings enhancing.
- **Estimate upgrades:** The combination of Shopper Media with the strong exit momentum into the new year leads us to upgrade our FY22E PBT by 12%.

January, £m	Sales	PBT adj	EPS (p)	Div (p)	Net Cash	Fiscal PER x	Yield %
FY 2020A	248.5	40.2	34.8	2.5	-9.4	24.7	0.3
FY 2021A	266.9	49.1	40.7	7.0	14.0	21.1	0.8
FY 2022E	*301.2*	*58.2*	*47.0*	*10.9*	*15.9*	*18.3*	*1.2*
FY 2023E	*318.8*	*62.3*	*48.9*	*12.2*	*39.3*	*17.6*	*1.4*
FY 2024E	*336.2*	*66.4*	*51.9*	*13.0*	*74.7*	*16.6*	*1.5*

Source: Radnor Capital Partners

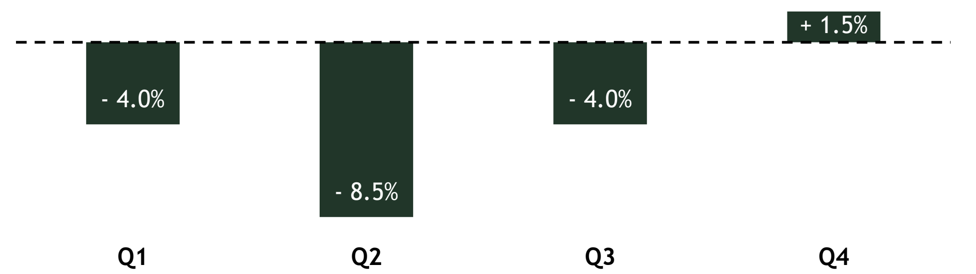
Final Results:

The broad shape of the H2 recovery and the materially better than expected outcome for the full year had already been flagged at the Q4 trading update. These final results came in marginally ahead of our already upgraded expectations. Key highlights as follows:

- Reported revenue growth of 7% YoY to £266.9m,
  - Organic revenue growth was -3%, with H2 showing a material improvement following the Q2 low of -9%. Q4 saw +2% organic growth.
  - Acquisitions contributed +10% to overall revenue growth, with Mach49, CRE and M Booth Health all contributing strongly during the period. The acquisition benefit can be seen primarily in the Brand Communications (M Booth Health) and Creative Technology (Mach49 and CRE) segments.
- Strong improvement in trading contribution margin from Creative Technology (+540 basis points) and Brand Marketing (+250 basis points), while Data & Analytics was also ahead YoY (+60 basis points).
- Overall group adjusted EBIT margin increased +210 basis points to 18.5%, even after a 20% increase in group central overhead to £11.3m. Overall group adjusted EBIT increased 21% YoY to £49.5m.
- Adjusted profit before tax increased by 22% to £49.1m.
- Statutory loss before tax of £1.3m after factoring £15m of goodwill amortisation; £10m of property impairment charges; £10m of share option expense relating to acquisitions and £13m of accounting charges relating to the treatment of future earn out and share purchase arrangements.
- EPS (adjusted and fully diluted) increased by 17% to 40.7p.
- Final dividend declared at 7p; reflecting the strength of both the balance sheet and current trading.
- Year end net cash was £14m, ahead of our £10m estimate.

In Figure 1 below, we show the quarterly progression of organic revenue growth by quarter through the course of FY'21.

Figure 1: Fiscal Quarterly revenue growth through FY'21



Source: Company, Radnor

We can see from the above that the pandemic induced organic revenue decline peaked in fiscal Q2 at -8.5%, following a -4% decline in Q1 and have subsequently moved back into positive territory in Q4. We would make the following observations:

- Fiscal Q1 (ended April 2020) captured approximately one month of the full effect of the initial lockdowns and client responses. Prior to this, Next Fifteen had been reporting a mixed organic growth performance.

- For the prior year ended Jan 2020, Next Fifteen reported an organic revenue decline of 2%, which was driven entirely by **Beyond** (specific client challenges) and **Archetype** (restructuring post the Text 100 / Bite merger). Outside of these, group organic growth would have been +10.5%, reflecting the strength in trading at the B2B technology agencies such as **Twogether**, **Agent3** and **Activate**, which have subsequently seen their growth accelerate through FY21.

- The more recently acquired **M Booth Health** has also had a strong period with its North American Life Science focus. The growth innovation and corporate venturing consultancy, **Mach49**, was also a healthy maiden contributor.

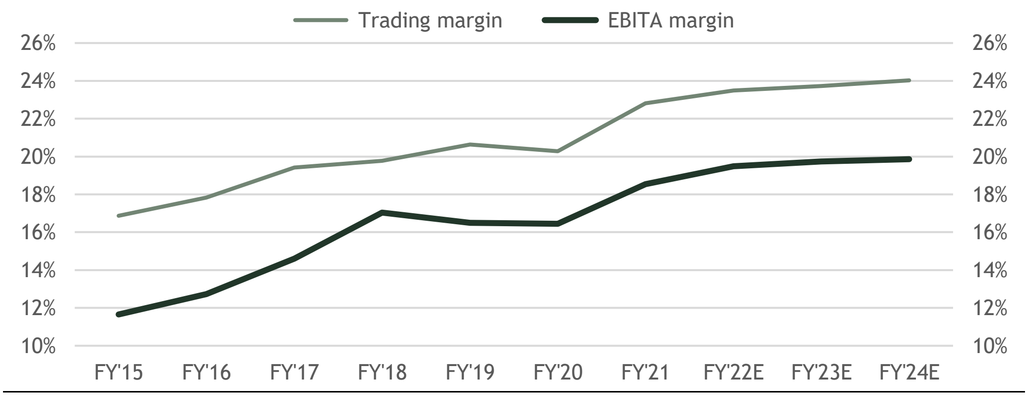
- When looking at the group through a geographical lens; North America (52% of group net revenue) was the first to recover back into positive organic revenue growth in Q3 with the UK (which had the higher B2C exposure) following in Q4.

- The largest intra year negative impact was in the UK, with the online market research business, **Savanta** (focus on B2C clients), seeing client budgets coming under short term pressure during Q2. However, in Q4 **Savanta** saw a sharp rebound from the mid year lows and is now trading close to pre-pandemic levels

Beyond the recovery of the group back into positive organic revenue growth in Q4; key headline for FY21 was the sharp rebound in operating margins.

In our view, one of the issues that has held back the NFC PE multiple over the last 10 years has been a lingering suspicion that NFC would struggle to drive margins above the mid-teens percentage bracket the market has been used to seeing from Agency businesses over the years. However, as the NFC business mix has evolved through a prolonged period of M&A; we believe a very different underlying margin profile.

Figure 2: Group pre and post central overhead EBITA margins, FY15 to FY24E



Source: Company, Radnor

In our eyes there is no structural reason why NFC should not be able to deliver and sustain group EBITA margins (post central overheads) well in excess of the 15% Agency benchmark. We believe there are two primary factors behind this:

1. **Efficiency.** A key feature of FY21 has been the decision taken to re-assess and restructure the group's property portfolio. With upwards of twenty distinct businesses in the group portfolio, the majority of whom acquired with their own unique office footprint and exposure, there has always been the potential to optimise the group's physical office exposure, which we estimate represented c.£15m of annual costs. The pandemic offered the perfect opportunity to re-assess this exposure. NFC's response was swift in terms of identifying spare office capacity and where there was the greatest potential for co-location. The result was the £10m property impairment charge announced at the interim results. The full annualised operating cost benefit is anticipated to be c.£5m per annum, of which £3.5m was recognised in FY21, which we estimate represented c.50% of the incremental EBIT uplift delivered in FY21.

   Beyond the immediate and tangible cost savings represented by the property rationalisation, we believe NFC is likely to take a more flexible approach to future office usage moving forward. We believe that future physical office cost growth will not grow at anywhere close to historic levels as NFC moves towards a less intensive office mix. There is also likely to be a higher priority placed on achieving property savings and rationalisation with future acquisitions.

2. **Business Mix.** Perhaps more profound a driver of margins looking forward will be the impact of the group's evolving business mix. NFC's historic roots are in the more traditional world of public relations (albeit with a heavy North American and technology bias). However, all NFC's acquisitions over the last six years have been focused outside of this area of traditional communications and into the broader digital marketing and technology space; encompassing specialisms as diverse as web design & build, online market research, specialist content marketing, innovation consulting, corporate venturing, sales activation and lead generation.

   Historically, NFC has segmented itself into three broad buckets; **Brand Marketing**, **Data & Analytics** and **Creative Technology**, with the former representing the broad PR and marketing core. However, this segmentation did not accurately reflect the diversity of the group's parts, nor the likely future direction of M&A investment.

   These final results saw the unveiling of a new vision for NFC and the initial template for a new way of looking at the group's component parts. The group CEO, Tim Dyson, outlined his vision for NFC as a "growth consultancy" as opposed to a more traditional marketing consultancy.

Figure 3: New group segmentation

	Insight	Engagement	Delivery	Transformation
	Analytics, data and research led. Enabling clients to make better marketing & product decisions	*Content, strategy and message creation and delivery.*	*Sales delivery through the application of technology and data*	*Organisational value maximisation through investment and transformation*
Revenue	**£33m**	**£166m**	**£50m**	**£18m**
Margin	**15%**	**22%**	**31%**	**22%**
Organic growth	**5% - 10%**	**3% - 7%**	**10% - 15%**	**10% - 15%**

Source: Company

Although the group has unveiled the bare bones of this new segmentation, it has not been formally reflected in the group's financial statements and we await further detail through the course of FY22 on the full financial disclosure and historic reconciliations. Our forecast financial model remains based on the historic segmentation. Our key observations about this new segmentation are as follows:

- **Engagement** is most analogous to the existing **Brand Marketing** segment and includes the larger US agencies Archetype and M Booth. In FY21, Brand Marketing delivered £141m of revenue (+4% growth) and a contribution margin of 24.7%. Also included within Engagement will be the content marketing agencies such as Publitek.

- **Insight** represents the data, research and analytics businesses such as Savanta. It is worth noting here that the FY21 contribution margin of 15% is depressed by pandemic impacts, which were most pronounced on businesses like Savanta, whose clients are typically more B2C focused. We would expect more normalised Insight margins to be 20% plus.

- **Delivery** is based around the concept of demand, lead and sales generation through the use of technology or data insights. This is a fast growing area and proved to be the most insulated against the worst impacts of the pandemic. Newer businesses within the NFC portfolio such as Activate and Agent3 would sit in this segment. We believe the most recent acquisition, Shopper Media Group (itself made up of three component agencies), will also straddle across Insight and Delivery.

- **Transform** is based around the concept of transformation and corporate value enhancement and is the furthest away from the traditional marketing universe. The recent acquisition, Mach49, is a good example of this in action with its focus on helping established businesses combat disruptive threats through corporate venturing and VC style investing. Elsewhere, the IPO / IR agency, Blueshirt, will sit within this segment.

- **Future M&A focus** is likely to revolve around Insight, Delivery and Transform. These are the areas that are most data led and are most explicitly aligned with clients' own growth and value ambitions. In this sense, we do not see a marked departure from the established M&A model which has tended to focus on areas outside of the more traditional communications arena. Not only are margins structurally superior but businesses tend to be less mature and offer faster growth but, critically, more benefits for the acquired businesses in joining the established NFC platform.

- **More than just a paper reshuffle.** Segmental reorganisations can often be superficial exercises in order to flatter reported numbers. Our sense post the final results presentation is that this represents a more substantive re-appraisal of how the NFC agencies sit within the group and how they interact with each other and their customers. We await more colour on how any new internal incentive structures will operate, which will be the most significant yardstick by which investors will be able to assess the potential impact of closer agency collaboration. NFC's track record here is one of informal encouragement, with some degree of success. Despite taking a relatively light touch approach to agency collaboration, NFC has still been able to deliver healthy mid to high single digit organic growth for the best part of a decade, so the potential for greater collaboration to be materially accretive is clear to see.

Estimate Revisions: PBT +12% for FY 2022, +11% for FY 2023

Following the trading update, we have revisited our forecast model and have made the following changes:

Figure 4: Radnor estimate revisions

		Previous		New		*Change, %*	
£m	FY21A	2022E	2023E	**2022E**	**2023E**	**2022E**	**2023E**
Brand Marketing	140.5	157.5	165.4	159.5	167.5	*+ 1%*	*+ 1%*
Data + Analytics	48.4	55.0	59.4	55.2	59.6	*+ 0%*	*+ 0%*
Creative Technology	77.9	75.4	79.9	86.5	91.7	*+ 15%*	*+ 15%*
Revenue	**266.9**	**287.9**	**304.7**	**301.2**	**318.8**	***+ 5%***	***+ 5%***
Brand Marketing	34.6	38.9	41.3	39.9	42.2	*+ 3%*	*+ 2%*
Data + Analytics	13.3	15.6	17.1	16.0	17.4	*+ 3%*	*+ 2%*
Creative Technology	13.1	9.6	10.4	14.9	16.0	*+ 55%*	*+ 54%*
Central Overhead	-11.4	-10.7	-11.3	-12.8	-13.5	*+ 20%*	*+ 20%*
EBITA	**49.5**	**53.4**	**57.6**	**58.0**	**62.1**	***+ 8%***	***+ 8%***
margin %	*18.5%*	*18.6%*	*18.9%*	*19.2%*	*19.5%*		
Adj. PBT	**49.1**	**52.1**	**56.4**	**58.2**	**62.3**	***+ 12%***	***+ 11%***
Adj. EPS (p)	**40.7**	**42.5**	**46.0**	**47.0**	**48.9**	***+ 10%***	***+ 6%***
Dividend (p)	7.0	9.5	10.2	10.7	12.2	*+ 13%*	*+ 20%*
Net Cash (Debt)	**14.0**	**25.8**	**45.9**	**15.9**	**39.3**		

Source: Radnor

The core drivers of our estimate revisions are as follows;

- **Acquisition of Shopper Media** – Announced just prior to the release of the final results, Shopper Media Group was acquired for an initial consideration of £15.7m (£11.8m in cash and the issue of 569k new ordinary shares). Total consideration in the first year is expected to be c.£20m with a further earn out structure in place based on profitability in 2023 and 2025. Although the earn out is open ended, a realistic expectation around total transaction value would be c.£40m. The look through EBIT acquisition multiple is c.8x, which is towards the top end of, but still in line with, the range of historic M&A multiples for NFC. The existing management team will be remaining with the group post acquisition.

  Shopper Media Group generated £8.9m of revenue and £3.5m of PBT in the year ended 30th September 2020 (margins of c.40%) and will contribute ten months to the current financial year for NFC. The acquisition is expected to earnings enhancing for NFC in the first full year of ownership.

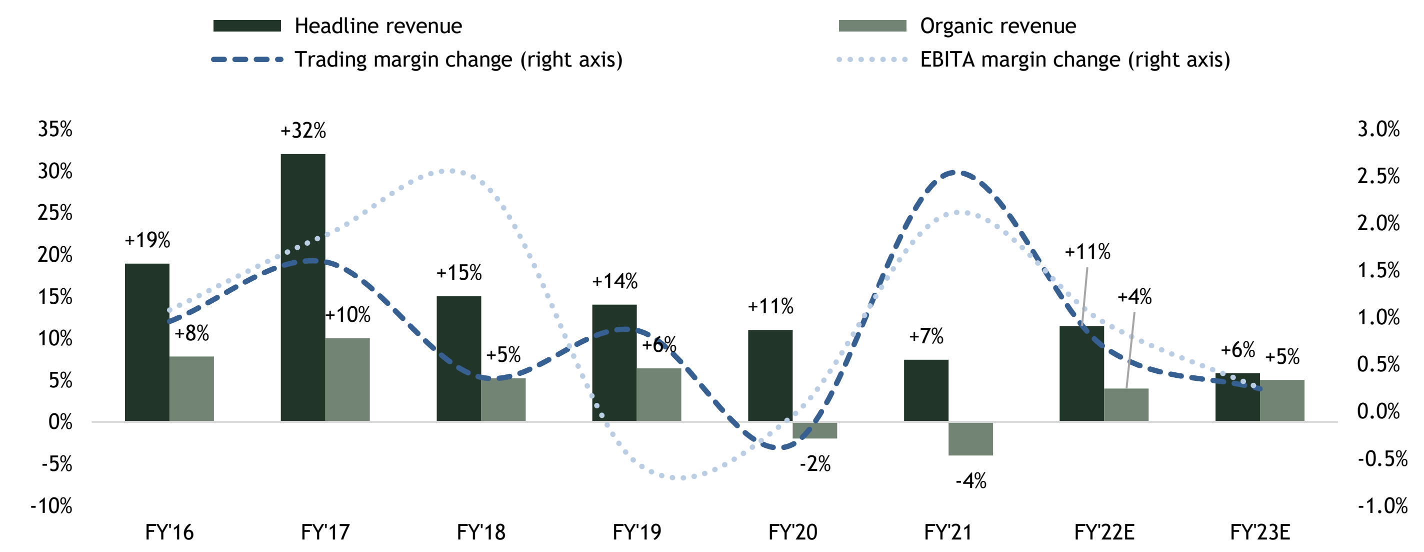
  Shopper Media Group is a collection of three point of sale marketing agencies based around a proprietary data and analytics platform that measures the effectiveness of point of sale marketing campaigns and product promotion. The group serves both retailers and brands and is already c.50% digital in terms of customer base.

- Beyond the acquisition of Shopper Media, we have made further upgrades to our base revenue and EBIT expectations for FY22 and beyond.
  - Creative Technology segment is where the post pandemic rebound has been most pronounced and this is reflected in our revised estimates.
  - With c.£3.5m of property savings now secured, we anticipate a further £1.5m to flow through in FY22.
  - We have now factored in a higher effective tax rate of 22% in FY22 and 24% in FY23, which has the effect of depressing EPS growth to 4% in FY23 vs 15% in FY22.
- Our revised net cash estimate for FY22 now stands at £15.8m, which is lower than our original £25.8m estimate. The £10m difference is made up primarily by the £15m cash component of the Shopper Media acquisition offset by the improved profitability of the group flowing through.
- The group maintains a £40m RCF and therefore enjoys ample liquidity and flexibility around further potential M&A through the course of FY22.

In Figure 5 below, we show the YoY growth in headline vs organic revenue for group as well as the annual change in both trading margins (pre central overheads) and EBITA margins. This chart shows that FY'21 is likely to show the strongest trading margin increase since FY'17 and this during a year that is likely to show the biggest overall organic revenue decline due to the pandemic.

We also show our margin expectations for FY'22, we still anticipate a pre-central overhead margin expansion but at a more normalised level (revenue mix combined with growth) with a small contraction in post central overhead margins as some PLC costs normalise.

Figure 5: Next Fifteen Headline & Organic revenue growth vs Change in Margin



Source: FactSet, Radnor

Valuation

Figure 6: Next Fifteen FY2 **PE**

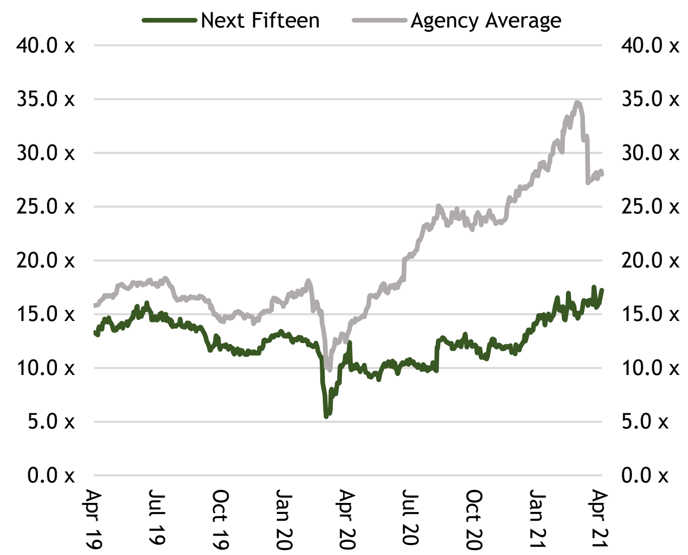
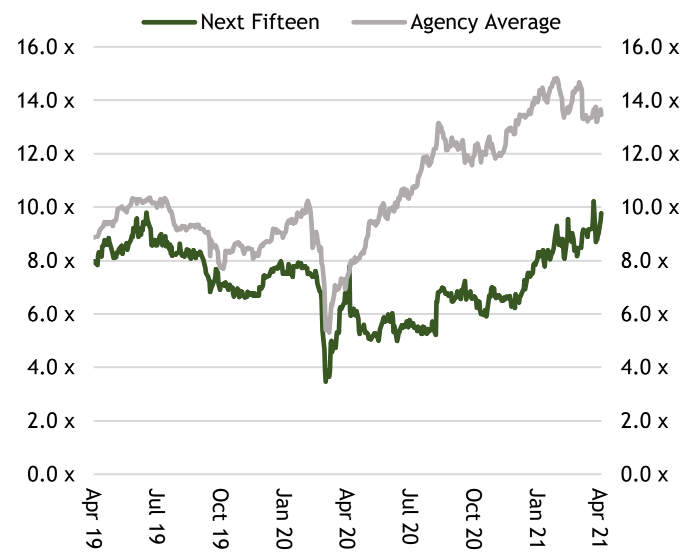


Figure 7: Next Fifteen FY2 **EV/EBITDA**

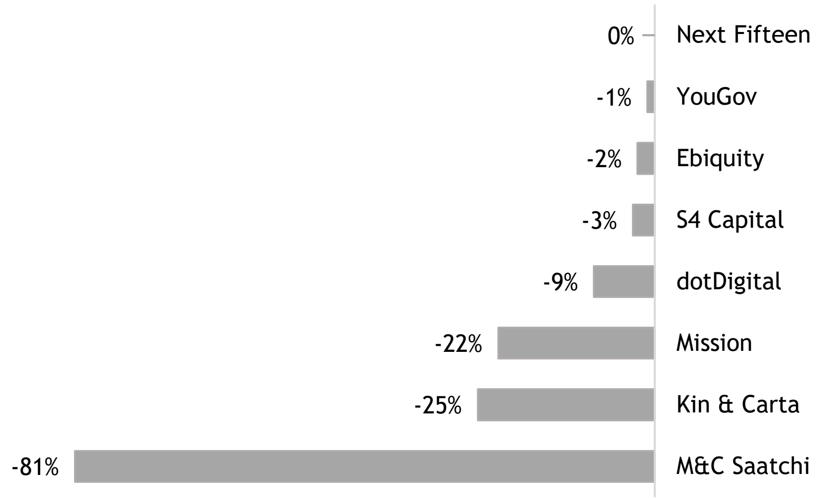


Source: FactSet, Radnor

- In Figures 6 & 7 above, we show the evolution of the Next Fifteen FY2 PE and EV/EBITDA multiple over the last two years, compared to the Small Cap Agency average. We have focused on FY2 earnings as short-term earnings volatility is clearly pronounced in the current year and we believe investors have now moved beyond their initial focus on near term security and are looking through to the 2022 earnings outlook.
- Despite a significant recovery in the Next Fifteen forward rating (across both metrics), and the shares now trading at historic highs, the discount to the peer group continues to be significant. We have explored this theme in previous notes and continue to believe this level of discount is unwarranted.
  - Three of Next Fifteen's peers (**S4 Capital**, **YouGov** and **DotDigital**) currently command materially higher valuation multiples despite representing themes (M&A led growth; focus on data & analytics and non-traditional advertising exposure) that are all key drivers for Next Fifteen.
  - The sharp peer group multiple expansion witnessed since the Covid-19 nadir is only now being supported by earnings upgrades. In the last two months we have seen material upgrades for **Ebiquity**, **M&C Saatchi** and **S4 Capital**. The former two are both "recovery" stories of sorts and the quantum of the upgrades reflects a low starting base.
- We believe there are a number of "optical" factors driving this disconnect.
  - Firstly, Next Fifteen is not solely focused on one digital marketing theme with its portfolio of agencies offering exposure to a broad range of digital and non-traditional marketing businesses and technologies.
  - Next Fifteen, we believe, has the best M&A track record in the peer group in terms of value creation and protection. However, Next Fifteen's focus on value and their disciplined approach to M&A has come at the expense of absolute pace and scale. We remain cautious on purely M&A led models where value is a secondary consideration.

- Next Fifteen has a long history on the market and started life as a predominantly public relations led business, albeit with a distinct technology bias. Old perceptions linger and we believe investors have not appreciated the extent to which the group mix has evolved and the breadth of the digital capabilities within the current portfolio.

Figure 8: Current FY2 EPS consensus vs Peak



Source: FactSet, Radnor

In **Figure 8** above, we show that of the peer group, only S4 Capital has shown a similar level of recover in forward estimates.

Figure 9: Peer Group PE vs earnings growth

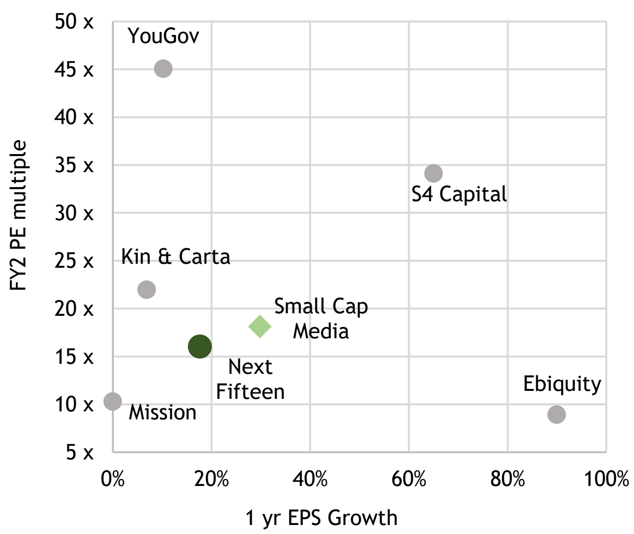
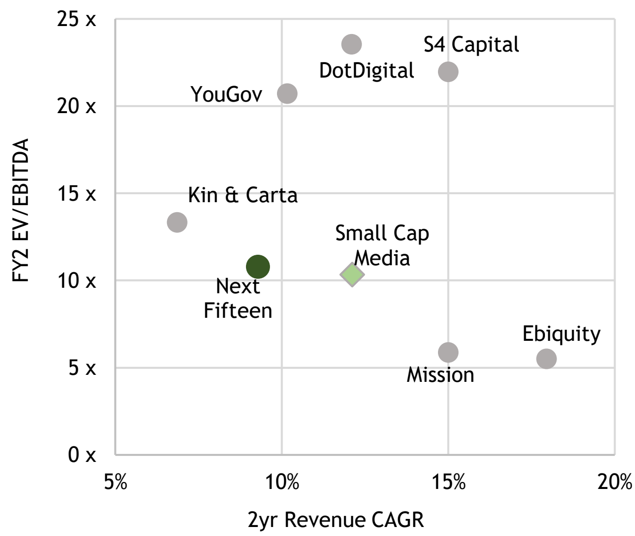


Figure 10: Peer group EV/EBITDA vs revenue growth



Source: FactSet, Radnor

Next Fifteen Communications PLC

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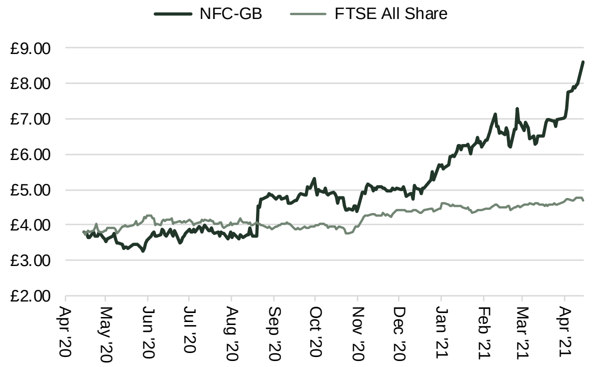
Price (p): **860 p**
Market Cap: 789 m
EV: 775 m

PROFIT & LOSS

Year to 31 January, £m	FY18	FY19	FY20	FY21	FY22e	FY23e	FY24e
Brand Marketing	*134.7*	*133.2*	*135.0*	*140.5*	*159.5*	*167.5*	*175.9*
Data & Analytics	*13.9*	*23.2*	*45.1*	*48.4*	*55.2*	*59.6*	*63.2*
Creative Technology	*48.3*	*67.7*	*68.4*	*77.9*	*86.5*	*91.7*	*97.2*
Group Net Revenue	**196.8**	**224.1**	**248.5**	**266.9**	**301.2**	**318.8**	**336.2**
Brand Marketing	*27.5*	*29.6*	*29.9*	*34.6*	*39.9*	*42.2*	*44.8*
Data & Analytics	*3.5*	*7.2*	*12.7*	*13.3*	*16.0*	*17.4*	*18.7*
Creative Technology	*7.9*	*9.5*	*7.8*	*13.1*	*14.9*	*16.0*	*17.3*
Head Office	*(8.9)*	*(9.3)*	*(9.5)*	*(11.4)*	*(12.8)*	*(13.5)*	*(14.6)*
EBITA - Adjusted	**30.0**	**37.0**	**40.9**	**49.5**	**58.0**	**62.1**	**66.2**
Associates & JV's	0.0	0.1	0.2	0.4	1.0	1.0	1.0
Lease interest			-	-	-	-	-
Net Bank Interest	(0.7)	(1.0)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
PBT - Adjusted	**32.8**	**36.0**	**40.2**	**49.1**	**58.2**	**62.3**	**66.4**
Non Operating Items	(12.8)	(16.3)	(23.0)	(37.2)	(22.8)	(23.2)	(20.0)
Other Financial Items	(3.2)	(0.9)	(11.6)	(13.2)	(10.5)	(10.0)	(10.0)
PBT - IFRS	**13.3**	**18.8**	**5.6**	**(1.3)**	**23.4**	**27.7**	**35.0**
Tax	(4.0)	(4.3)	(2.7)	(2.6)	(4.8)	(6.9)	(8.7)
Tax - Adjusted	(5.9)	(7.2)	(8.0)	(9.9)	(12.8)	(15.0)	(15.9)
Tax rate - Adjusted	*17.9%*	*20.0%*	*20.0%*	*20.2%*	*22.0%*	*24.0%*	*24.0%*
Minority interests	0.7	0.6	0.6	1.0	1.3	1.5	1.7
No. shares m	74.3	79.2	85.3	89.4	89.4	89.4	89.4
No. shares m, diluted	82.1	85.0	90.9	93.8	93.8	93.8	93.8
IFRS EPS (p)	11.6	17.5	2.7	(5.5)	19.4	21.6	27.4
Adj EPS (p), diluted	**32.1**	**33.1**	**34.8**	**40.7**	**47.0**	**48.9**	**51.9**
Total DPS (p)	6.3	7.6	2.5	7.0	10.7	12.2	13.0

PRICE CHART - 1 YEAR ABSOLUTE vs FTSE ALL SHARE



Source: FactSet

SHAREHOLDERS

	% of ord. Share capital
Octopus Investments	13.4%
Liontrust Investment Partners	11.8%
Aviva Investors	9.3%
Aberdeen Stan Life	8.1%
Directors	6.5%
BlackRock	6.2%
Canaccord Wealth	4.9%
Herald Inv Mgmt	4.5%
	64.7%

CASH FLOW

Year to 31 January, £m	FY18	FY19	FY20	FY21	FY22e	FY23e	FY24e
Net Profit: (add back)	9.3	14.5	2.8	(3.9)	18.6	20.8	26.2
Depreciation & Amortisation	*11.4*	*13.8*	*26.4*	*28.0*	*27.6*	*28.0*	*28.3*
Net Finance costs	*4.0*	*1.9*	*14.1*	*15.4*	*12.7*	*12.2*	*12.2*
Tax	*4.0*	*4.3*	*2.7*	*2.6*	*4.8*	*6.9*	*8.7*
Working Capital	(4.2)	1.2	(3.3)	6.6	(7.9)	(2.2)	(0.6)
Other	4.4	2.6	6.8	24.3	8.0	8.0	8.0
Cash from Ops	**28.9**	**38.4**	**49.5**	**72.9**	**63.8**	**73.7**	**82.9**
Cash Tax	(4.3)	(6.2)	(6.0)	(8.4)	(4.8)	(6.9)	(8.7)
Tangible Capex	(3.0)	(5.6)	(3.5)	(2.0)	(4.0)	(4.0)	(4.0)
Intangible Capex	(1.2)	(2.4)	(1.8)	(2.1)	(2.0)	(2.0)	(2.0)
Free Cashflow	**20.4**	**24.1**	**38.2**	**60.4**	**53.0**	**60.8**	**68.2**
Dividends	(5.7)	(6.6)	(7.5)	(0.7)	(7.3)	(10.5)	(11.9)
Acquisitions & Inv.	(15.4)	(29.6)	(24.2)	(23.6)	(34.0)	(17.0)	(11.0)
Financing	3.8	7.7	1.8	(37.7)	(9.9)	(9.9)	(9.9)
Net Cashflow	**3.1**	**(4.4)**	**8.3**	**(1.6)**	**1.9**	**23.4**	**35.4**
Net Cash (Debt)	(11.6)	(5.2)	(9.4)	14.0	15.9	39.3	74.7

Announcements

Date	Event
April 2021	Final results (y/e Jan 2021)
April 2021	Acquisition of Shopper Media for £15m
January 2021	Trading update
September 2020	Trading update
September 2020	Acquisition of Mach49 for $2.7m
April 2020	Final results (y/e Jan 2020)
March 2020	Trading update

RATIOS

	FY20	FY21	FY22e	FY23e	FY24e
RoE	28.1%	32.7%	32.6%	30.0%	27.4%
RoCE	33.6%	48.5%	49.5%	55.5%	65.2%
Asset Turnover (x)	0.9x	0.8x	0.7x	0.7x	0.6x
NWC % Revenue	41.2%	42.4%	31.3%	29.7%	28.0%
Op Cash % EBITA	121.2%	147.4%	110.1%	118.7%	125.3%
Net Debt / EBITDA	0.1x	-	-	-	-

BALANCE SHEET

Year to 31 January, £m	FY18	FY19	FY20	FY21	FY22e	FY23e	FY24e
Intangibles	94.8	126.1	155.4	163.8	164.8	168.8	166.8
P,P+E	13.6	15.9	14.2	8.9	13.3	12.3	11.0
Tax Asset & Other	11.7	13.0	54.7	43.4	35.4	27.4	19.4
Total Fixed Assets	**120.1**	**155.0**	**224.4**	**216.1**	**213.4**	**208.5**	**197.1**
Net Working Capital	(32.2)	(38.4)	(102.3)	(113.2)	(94.2)	(94.7)	(94.1)
Capital Employed	**87.9**	**116.6**	**122.1**	**102.9**	**119.2**	**113.8**	**103.0**
Net Funds	(11.6)	(5.2)	(9.4)	14.0	15.9	39.3	74.7
Net Assets	**76.3**	**111.5**	**112.7**	**116.9**	**135.1**	**153.1**	**177.7**

VALUATION

Fiscal	FY20	FY21	FY22e	FY23e	FY24e
P/E	24.7x	21.1x	18.3x	17.6x	16.6x
EV/EBITDA	11.3x	10.0x	13.4x	12.5x	11.7x
Div Yield	0.3%	0.8%	1.2%	1.4%	1.5%
FCF Yield	4.9%	7.8%	6.8%	7.8%	8.8%
EPS growth	4.9%	17.1%	15.3%	4.2%	6.2%
DPS growth	-66.9%	180.0%	52.4%	14.6%	6.2%

REGULATORY DISCLOSURES

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