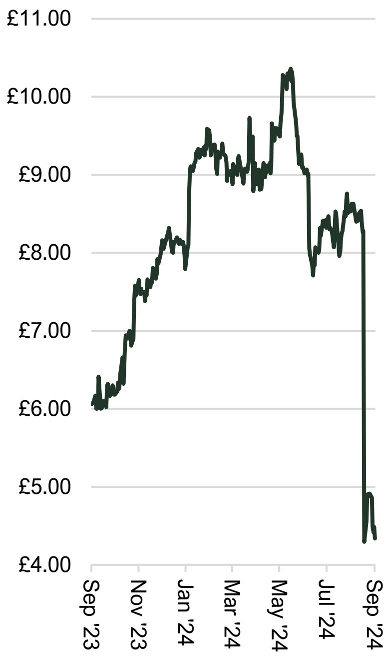
Next 15 Group PLC

NFG | AIM | Media | 434p | £438m

H1 results: Muted revenue outlook but H2 profit recovery expected

1 Year Chart



Following the earlier trading update, which confirmed the loss of the large Mach49 contract and a continuation of tough trading conditions for the technology client facing parts of the group portfolio, the H1 results provided an opportunity for the group to report in more detail on its performance and outlook. The net result from our perspective was of reassurance around the strength of the broader portfolio, particularly for those businesses less exposed to technology client spend. We were also reassured by the ability of the group to protect margins as cost savings benefit H2.

The extent of the share price fall post the trading update reflects both the scale of the Mach49 led downgrade for FY26E but also the fact Next 15 has finally appeared to succumb to the pressures facing others in the peer group. The reality here is actually more nuanced. Weakness is not uniform across the group portfolio and the swift reaction on costs means the group remains well positioned to recover margin should technology client spend, the largest swing factor, recover through the second half and beyond.

Post the initial downgrade, Next 15 now trades on a FY26 PE multiple of 7.1x. In our view the shares have de-rated disproportionately to the extent of the downgrade. It will undoubtedly take some time for market faith in the story to rebuild but in the meantime this provides investors an attractive entry point into a fundamentally sound and high quality business.

Next 15 Group PLC is a research client of H2 Radnor Ltd.

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

23 September 2024

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- **H1 headlines** were dominated by the Mach49 contract loss, which has had a material impact on FY26E estimates in particular. Beyond the Mach49 contract, the H1 results have seen no real improvement in a tough technology client spending environment and management are clearly not expecting a material recovery in the second half.
- **Broad range of outcomes** across the group. Although the headlines have focused on negatives around Mach49 and tech spend, not all the news was bad. B2C client revenues are growing well and the retail media specialist SMG delivered a strong H1 and are well set for the full year. Next 15 has been swift to identify material cost savings (£25m on a fully annualised basis) of which a third will benefit the current year. Expectations are for a healthy profit recovery in H2 even if the revenue outlook remains muted.
- **Changes to estimates:** We are making some minor tweaks to recently revised estimates (marginally higher net interest charge) but our core revenue / EBIT estimates remain unchanged.

January, £m	Revenue	PBT adj	EPS (p)	Div (p)	Net Cash	PE x	Yield %
FY 2023A	563.8	112.5	80.4	14.6	26.1	5.4	3.4
FY 2024A	577.8	117.9	81.6	15.4	(1.4)	5.3	3.5
FY 2025E	*585.3*	*110.0*	*74.5*	*13.8*	*(35.4)*	*5.8*	*3.2*
FY 2026E	*530.2*	*88.8*	*61.4*	*11.2*	*(17.3)*	*7.1*	*2.6*
FY 2027E	*558.6*	*105.7*	*73.3*	*13.3*	*9.0*	*5.9*	*3.1*

Source: h2Radnor

Changes to h2Radnor estimates

Our immediate response to the 6th September trading update (link to our note here) was to reduce our FY25E revenue / EBIT estimates by -3% / -10% and our FY26E revenue / EBIT estimates by -17% / -35% respectively. The following points are worth re-iterating:

- FY25E. The Mach49 contract will terminate at the calendar year end, so one month of contribution will be lost in FY25E (Jan year end). The majority of the downgrade for FY25E is driven by the lack of recovery in technology client spend, with the Delivery segment seeing the most significant impact.

- FY26E. This is where the fully annualised effect of the Mach49 contract loss will be fully felt and accounts for the majority of the downgrade. We also scaled back FY26E expectations elsewhere in the portfolio to reflect our FY25E changes.

We have now been able to fully digest the full detail in the H1 results and are making some minor further adjustments to our estimates. These are mostly focused on our year end net debt expectation, which has increased by c.£10m to £35.4m, which has also fed into a marginally higher net interest cost line for FY25E. We are not making any material revisions to our revenue or operating margin estimates.

Post the earlier update we had factored a negative impact on working capital due to the shift in the business mix away from technology clients (prompt payers) towards B2C clients (later payers), but we had not factored the full cost of restructuring expenses in the year nor the relatively small amount of bolt-on M&A (three small acquisitions for a net cost of £5m in H1.

Figure 1: h2Radnor estimate revisions

		Previous		New		Change, %	
	2024A	2025E	2026E	2025E	2026E	2025E	2026E
Customer Engagement	263.1	265.8	265.8	265.8	265.8	- 0%	- 0%
Customer Delivery	107.7	109.8	115.3	109.8	115.3	+ 0%	- 0%
Customer Insight	57.5	58.6	61.6	58.6	61.6	+ 0%	- 0%
Business Transformation	149.6	151.1	87.6	151.1	87.6	- 0%	+ 0%
Revenue	**577.8**	**585.3**	**530.3**	**585.3**	**530.2**	**- 0%**	**- 0%**
Customer Engagement	53.2	54.5	51.8	54.5	51.8	- 0%	+ 0%
Customer Delivery	29.1	29.6	30.0	29.1	30.0	- 2%	- 0%
Customer Insight	10.4	11.1	11.7	11.1	11.7	+ 0%	- 0%
Business Transformation	48.3	42.0	21.0	42.0	21.0	+ 0%	+ 0%
Central Overhead	-19.8	-22.2	-23.9	-22.2	-23.9	+ 0%	- 0%
EBITA	**121.1**	**115.0**	**90.6**	**114.5**	**90.7**	**- 0%**	**+ 0%**
- margin %	*21.0%*	*19.6%*	*17.1%*	*19.6%*	*17.1%*		
Adj. PBT	**117.9**	**111.6**	**88.8**	**110.0**	**88.8**	***- 1%***	***- 0%***
Adj. EPS (p)	**81.6**	**75.6**	**61.4**	**74.5**	**61.4**	***- 1%***	***- 0%***
Dividend (p)	15.4	14.0	11.2	13.8	11.2	*- 1%*	*- 0%*
Net Cash (Debt)	**-1.4**	**-25.0**	**1.7**	**-35.4**	**-3.7**		

Source: h2Radnor

The strength of the Next 15 balance sheet has been an important underpin to the equity story for a number of years. Despite the negative impact of working capital in the current year, we still expect Next 15's net debt / EBITDA multiple to be less than 0.3x.

In Figure 2 below, we show how our estimate of how the net debt / EBITDA multiple will evolve over the next three years based on our current EBITDA expectations and the current company guidance on the outstanding earn out commitments. We also assume a 100% cash payout, although this could change should the share price improve.

Figure 2: h2Radnor earn out & net debt analysis

£m	FY25E	FY26E	FY27E
Operating Cashflow	81.8	109.7	112.3
Free Cashflow	63.4	94.6	92.6
Deferred consideration payments	(60.0)	(48.6)	(42.2)
Year End Net Cash / (Debt)	**(35.4)**	**(17.3)**	**9.0**
EBITDA	127.0	103.7	120.0
Net debt / EBITDA, x	**0.3**	**0.2**	**-**
Free cashflow / Earn out cover	1.1	1.9	2.2

Source: h2Radnor

Given the phased nature of the outstanding earn out commitments, we do not believe that capitalising the full value of the earn outs now gives a fair impression of the true balance sheet picture. We can see from Fig 2 that even on our revised net debt expectations, we still expect net debt / EBITDA to not exceed 0.3x over the next three years and for free cashflow to comfortably exceed earn out liabilities in FY26E and FY27E.

Of the outstanding earn out commitments, approximately two thirds is represented by Mach49, which we explore in more detail below.

H1 results

Below, we show the key H1 headline financials from both a segment and group perspective.

Figure 3: Key H1 headlines

£m	H1 FY23	H1 FY24	Headline YoY %	Organic YoY %
Customer Engagement				
Revenue	131.1	134.4	+ 3%	- 1%
Segment EBIT	26.5	26.6	+ 1%	-
Margin %	*20.2%*	*19.8%*		
Customer Delivery				
Revenue	51.8	55.0	+ 6%	+ 7%
Segment EBIT	14.1	12.0	- 15%	-
Margin %	*27.3%*	*21.8%*		
Customer Insight				
Revenue	27.3	27.9	+ 2%	- 7%
Segment EBIT	4.7	3.1	- 35%	-
Margin %	*17.2%*	*11.0%*		
Business Transformation				
Revenue	76.2	69.6	- 9%	- 9%
Segment EBIT	22.6	16.5	- 27%	-
Margin %	*29.7%*	*23.7%*		
Group				
Revenue	**286.4**	**286.8**	**+ 0%**	**- 2%**
Segment EBIT	67.9	58.2	- 14%	-
Margin %	*23.7%*	*20.3%*		
Central Costs	-11.0	-10.1		
EBITA	**57.0**	**48.1**	**- 16%**	
Margin %	*19.9%*	*16.8%*		
PBT - Adjusted	**55.6**	**46.0**	**- 17%**	
PBT - Reported	24.3	33.7	+ 39%	

Source: Company, h2Radnor

We can see from the above that the breadth of the group portfolio delivered a range of outcomes. We discuss each of the segments in more detail below, but at a headline level, we can see four distinct themes that stand out.

1) **Weakness in client spend is focused in two areas.** Weakness in technology client spend has been a well-covered headwind across the breadth of the marketing universe for some time now. Previous commentaries from Next 15 have highlighted this challenge. However, there had been an expectation that 2024 would see some degree of stabilisation or even potential recovery as the interest rate cycle began to ease. It is clear now that any such recovery is not in play yet. Overall, tech client revenue for Next 15 declined -13% YoY in H1, with management now expecting no material recovery in tech client spend in

H2. Tech client spend now represents 29% of overall group revenue compared to 34% in H1 FY24.

Following the Engine acquisition, Next 15 is also exposed to UK public sector technology transformation through the Transform business, which now operates as a standalone entity within the group. Following a strong couple of years of revenue growth and, more importantly, significant margin recovery under Next 15's tutelage, H1 FY25 saw a -28% decline in YoY revenue. There were two key impacts here; firstly, very strong H1 FY24 comps as Transform bedded in a very significant Department of Education contract in FY24, and secondly, the timing of the UK General Election which resulted in a slower period of new contract awards across the public sector. The longer-term structural opportunity within public sector digital transformation remains significant and we expect Transform to continue to benefit over the medium to long term.

2) **Healthcare, B2C and retail clients are performing well.** Elsewhere in the Next 15 client mix, the news was more positive. Healthcare delivered H1 revenue growth of +12% and now represent 6% of group revenue. Consumer facing businesses (including retailers) delivered the strongest YoY performance with growth of +16%, and now represent 23% of group revenue, up from 19% in H1 FY24. Shopper Media Group (SMG) had a strong start to the year.

3) **Mach49 contract loss.** The loss of the Mach49 contract was a blow for the company and although the impact in the current financial year is limited (one month contract contribution), the impact in FY26E is more pronounced and accounted for the majority of the subsequent downgrade.

The Mach49 contract has been somewhat of a doubled edged sword for Next 15. Whilst it has been a significant contributor to group revenue and earnings (c.30% margins on the contract) over the last three years, the scale of the contract was disproportionate to any other client engagement in the group and Next 15 has been limited by confidentiality agreements around explaining the nature of the client and the work.

The timing of the initial contract award also meant that the recently acquired Mach49 earn out terms had to be renegotiated to reflect the scale of the contract contribution over its expected five year term.

Next 15 has laid out in detail the full economics surrounding the Mach49 acquisition. The initial deal consideration was $4.7m and the original earn out agreement had to be revised upwards to reflect the contract win. Although the subsequent maximum earn-out liability has been reduced to $230m from its peak of c.$330m, December 2024 had always been the end of the three year measurement period. The net result is that so far Mach49 earn out payments have totalled $127m, with a further $105m due over the next two years. Over the three years since acquisition, Mach49 has contributed post earnings to Next 15 of $124m. Post the large contract loss, Mach49's anticipated contribution to the group will be c.$30m at an EBIT margin of c.30%. After factoring tax adjustments and assuming 10% growth per annum, Next 15 now estimate that a full payback on the outstanding earn out liability will be c.8 years.

There is no doubt that the Mach49 contract win, the subsequent earn out increases and the timing of the contract cessation with earn out payments still outstanding have been a source of frustration for both the company and investors. Mach49 was, and remains, an interesting and potentially valuable acquisition for Next 15. The exposure it provides to a differentiated and high value, high margin revenue stream is highly attractive to Next 15 alongside its critical strategic positioning with clients. Nonetheless, from a Next 15 value creation perspective, Mach49 has been a perceived as a negative.

On a more positive note, we would highlight the point that the large contract was always fixed term in nature, so this has bought forward a moment of earnings risk that has always been there. We would also note that the reduced US dollar earnings will help to bring down the overall group effective tax rate. All in all, we now see this as an opportunity for the group to move on from what has been something of a distraction to the core Next 15 value proposition.

4) **Swift action on operational cost savings.** Next 15 has acted swiftly to identify cost efficiencies at both the group and the agency level in response to both the Mach49 contract loss and the broader challenges around technology client spend. Already in H1, the group has identified £13m of annualised cost savings resulting in an exceptional restructuring charge of £4.2m. A further £12m of annualised cost savings are expected to be secured in H2, result in a full year restructuring charge of c.£9m. The in year delivered savings for FY24 are expected to be between £6m - £8m, with the full £25m effect to be felt in FY25.

In terms of outlook, management are clearly cautious about any near-term recovery in technology client spend for the remainder of the year. Elsewhere in the portfolio the B2C and retail facing businesses are expected to still see good growth. Overall, revenue is expected to be H2 weighted with profits to be more H2 weighted than normal. This H2 profit recovery will be part driven by the cost savings delivered in year, which will mostly fall in H2 and the natural H2 profit weighting for businesses like SMG that are performing well.

It is also important to note that a number of the tech client exposed businesses that have not performed as well this year are also some of the more operationally geared businesses within the group. The lead generation business, Activate, which sits within the Delivery segment, is a good example with incremental drop through margins of c.80%. Any sustained revenue recovery here will fall quickly through to the bottom line and could make a meaningful difference to the group outcome.

Customer Engagement

This segment includes many of the more established agency brands in the group and encompasses a range of client exposures from B2C and tech B2B. Reported revenue grew by 2.5% but saw organic revenue decline 1% YoY. This segment saw a broad range of outcomes with M Booth Health, MHP and Brandwidth performing particularly well and delivering good growth, but offset by the more tech focused agencies such as Beyond. Some of the earlies costs savings have been secured here and this helped to protect margins, which came in at a still respectable 19.8% (H1 FY24: 20.2%)

Customer Delivery

Similarly to Engage, this segment saw a very strong performance from the retail media specialist, SMG, offset by weakness in the lead gen business Activate. SMG has been a standout performer for Next 15 and 2024 has seen SMG win its first material contracts with larger brand US retailers whilst bedding in significant UK contract wins. SMG is H2 weighted in profit terms. Reported segment revenue growth was +6.1% with organic growth of 6.9%. H1 margins came under pressure (21.8% vs 27.3%) as a result of SMG's H2 profit weighting and Activate's relatively high level of operational gearing.

Customer Insight

Customer Insight (dominated by the Savanta digital research business) had a disappointing H1. Revenue was impacted by weak customer demand and some UK election impacts. Reported revenue was up 2%., but organic revenue declined by 6.8%. Operating margins came under pressure (11% vs 17.2%) as the business digested a number of recent acquisitions. These margins are clearly recognised as being sub optimal and a number of initiatives are expected to see margins recover to a more normalised c.20% level.

Business Transformation

On paper this was the weakest segment for the group with reported and organic revenue down c.9%. The digital transformation business, Transform, was heavily impacted by the timing of the UK general election and very tough H1 comps from last year but is expected to have a better H2. Both the private equity focused Palladian and the US market focused Blueshirt suffered from weak transaction volumes in their respective capital markets. Excluding the large contract, Mach49 had a weak H1 impacted by a number of client led delays. Cost actions have been taken within this business as a result. Segment margins came in at 23.7% (H1 FY24: 29.7%).

Organisational Improvements

Above and beyond the near term operational cost savings that have been identified, management have clearly seen the challenges of the current trading environment as an opportunity to address some deeper structural points around how the group operates.

The de-centralised nature of Next 15's portfolio is one of the more unique characteristics of the group and has been a point of material differentiation between Next 15 and others in the space for some time. We have always seen a number of key benefits of this approach:

- **Entrepreneurial fit**. For a business where M&A has been a central component of the growth story, positioning Next 15 as an attractive "home" for a vendor management team has proven very important. Next 15 has always exercised strong price discipline when it comes to acquisitions (typically Next 15 acquisitions have been struck at single digit profit multiples), so have evolved a partnership proposition to vendor management teams, who typically stay with their businesses post disposal and see Next 15 ownership as a means to de-risk the next leg of their growth. Maintaining a degree of post acquisition autonomy, rather than full operational consolidation, is an important aspect of this approach.

- **Subsidiary P&L accountability.** Although an acquisition is an opportunity to remove duplicated costs, Next 15 have never sought to strip their acquired business back to just their customer facing elements. Acquisitions are expected to integrate their financial reporting and accounting into the group platform, but local finance teams are maintained with P&L forecast and cost control accountability starting at the local level. This degree of subsidiary accountability has held the overall group in good stead at a time when more centralised peers have suffered from a lack of forecast revenue and cost visibility.

- **Central resource economies of scale.** The de-risking point is two-fold. Firstly, there is the proven ability of Next 15 to help accelerate existing growth plans. Secondly, there is the ability for the acquisition to take advantage of the Next 15 central resource and existing group infrastructure to reduce the cost of growth and reduce operational execution risk.

However, the flip side of this de-centralised approach has been the growing complexity of the group. The current portfolio has now expanded to c.19 subsidiary agencies and this has placed a bigger burden on the central head office to manage.

Furthermore, group growth, historically, has been driven by the sum of the organic growth of the component parts. Although intra group collaboration does exist within the portfolio, this has tended to be opportunistic rather than systematic. With the significant majority of the group agencies now free from earn out structures, there is an opportunity to foster and promote a more joined up approach across the portfolio.

As a result, management have lifted the lid on work that has already been undertaken through the course of the year to simplify the structure of the group portfolio as well bring the individual businesses closer together in terms of how they interact with and market to existing and prospective clients. We can see that management are intending to try and retain the key strengths of the de-centralised approach that has served Next15 so well over the years, whilst seeking to reduce complexity and ultimately drive greater efficiency and revenue momentum across the group. The ability of the group to invest in and further develop its already broad, but diverse, AI capabilities will be significantly enhanced in a simplified, more co-ordinated structure.

We do not anticipate the number of external facing brands to reduce. Although a group of aggregated scale, Next 15 is also a group of niche, specialist problem solvers. This has been a fundamental driver of historic growth and we do not see this aspect of the group changing.

Capital allocation

Given the setback experienced within Mach49 and the associated earn out, it is not surprising to hear management taking a much more cautious tone around the pace and scale of future M&A. The clear near term priority is around optimising the existing group structure. We still expect M&A to occur (the group has made three small bolt-on acquisitions already this year for c.£5m aggregate consideration), but the overall quantum from a capital allocation perspective is likely to be materially lower over the next 12 – 18 months from where it has been. Although we are not concerned about balance street stretch (we do not see net debt / EBITDA exceeding 0.3x), we do not see management appetite to push much beyond this at least in the short term.

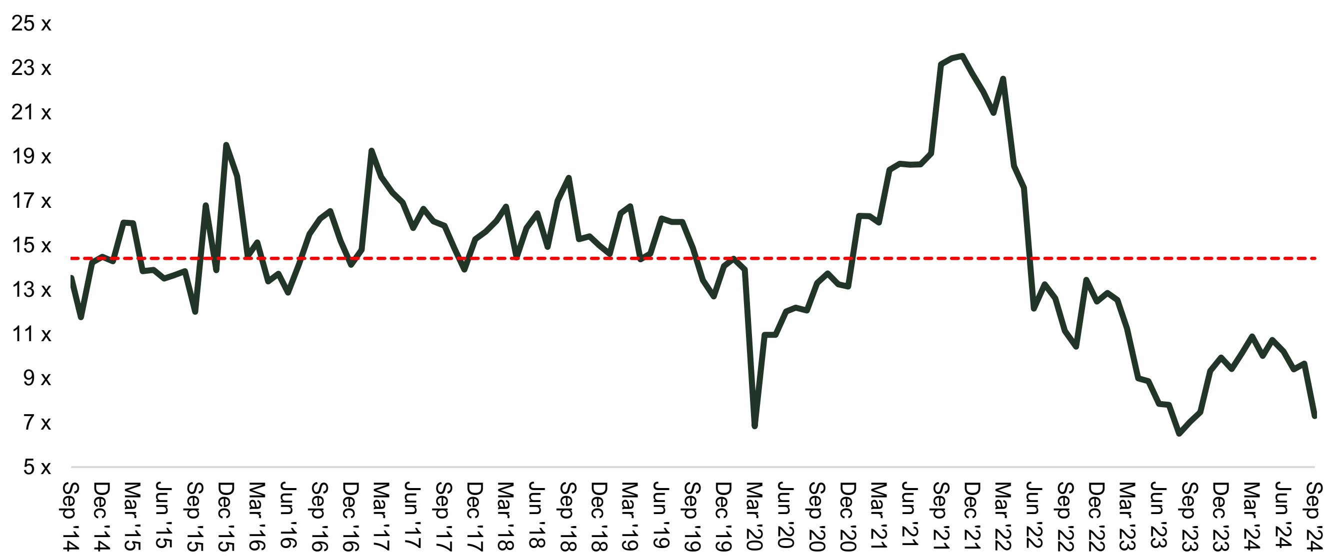
Next 15 have already commenced a share buyback programme. In H1, the company has bought back £5.2m of shares, making a total of £9.4m committed since the start of the programme (1.167m shares at a VWAP of 809p). With the shares currently standing at 434p and a FY26E forecast PE of 7.1x, there is a strong argument for the share buyback to be maintained, or even extended.

Valuation

On our revised estimates, Next 15 is now trading on a FY26E PE multiple of 7.1x.

Whilst it is clear that sentiment behind the story will have taken a knock post what was a material downgrade to future earnings expectations, we would argue that the shares were hardly over-valued to begin with. As we can see from Fig 4 below, Next 15 was trading at a sub 10x PE immediately prior to the downgrade and has been trading below its 10 year average PE for some time now. In effect, the group is now being valued in line with the pandemic lows.

Figure 4: Next 15 10 year PE multiple



Source: FactSet, h2Radnor

Whilst the near-term growth outlook remains muted, we would not expect the shares to materially re-rate upwards. Notwithstanding this, we do believe the -46% fall in the share price in reaction to the downgrade has been excessive and provides investors with a compelling entry point into the story. For those investors willing to look beyond the short term noise around the Mach49 contract and earn outs; Next 15 remains one of the few genuine growth success stories in the UK marketing landscape. The quality of the underlying businesses, their positioning with clients and the strength of the parent balance sheet should not be ignored.

Next 15 Group PLC

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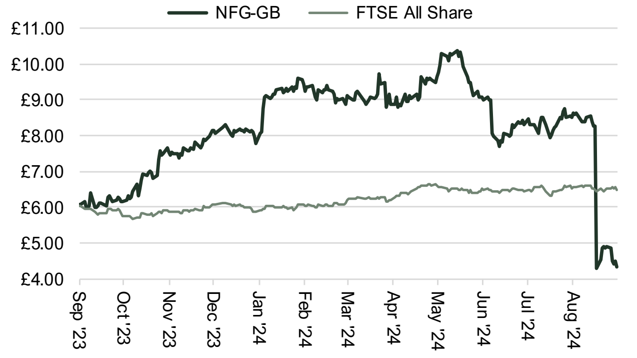
Price (p): **434 p**
Market Cap: 438 m
EV: 473 m

PROFIT & LOSS

Year to 31 January, £m	FY22	FY23	FY24	FY25e	FY26e	FY27e
Customer Engagement	*187.6*	*275.0*	*263.1*	*265.8*	*265.8*	*279.0*
Customer Delivery	*80.0*	*102.1*	*107.7*	*109.8*	*115.3*	*121.1*
Customer Insight	*42.1*	*52.0*	*57.5*	*58.6*	*61.6*	*66.5*
Business Transformation	*52.5*	*134.8*	*149.6*	*151.1*	*87.6*	*92.0*
Group Net Revenue	**362.1**	**563.8**	**577.8**	**585.3**	**530.2**	**558.6**
Customer Engagement	*40.4*	*55.4*	*53.2*	*54.5*	*51.8*	*58.6*
Customer Delivery	*28.5*	*30.2*	*29.1*	*29.1*	*30.0*	*32.7*
Customer Insight	*9.0*	*11.0*	*10.4*	*11.1*	*11.7*	*13.3*
Business Transformation	*15.2*	*43.9*	*48.3*	*42.0*	*21.0*	*24.8*
Head Office	*(13.8)*	*(26.4)*	*(19.8)*	*(22.2)*	*(23.9)*	*(22.9)*
EBITA - Adjusted	**79.3**	**114.2**	**121.1**	**114.5**	**90.7**	**106.5**
Associates & JV's	0.2	-	-	-	-	-
Net Bank Interest	(0.3)	(1.6)	(3.1)	(4.5)	(1.9)	(0.8)
PBT - Adjusted	**79.3**	**112.5**	**117.9**	**110.0**	**88.8**	**105.7**
Non Operating Items	(40.4)	(48.3)	(45.1)	(39.0)	(30.0)	(30.0)
Other Financial Items	(119.0)	(54.1)	7.5	(29.5)	(29.5)	(29.5)
PBT - IFRS	**(79.1)**	**10.1**	**80.3**	**40.4**	**28.2**	**45.1**
Tax	14.5	(7.1)	(26.4)	(10.9)	(7.6)	(12.2)
Tax - Adjusted	(17.2)	(26.3)	(31.1)	(29.7)	(24.0)	(28.5)
Tax rate - Adjusted	*21.6%*	*23.3%*	*26.3%*	*27.0%*	*27.0%*	*27.0%*
Minority interests	3.6	1.4	1.0	2.1	1.9	2.1
No. shares m	92.4	97.6	99.2	99.0	99.0	99.0
No. shares m, diluted	98.1	105.7	105.2	104.9	102.5	102.5
IFRS EPS (p)	(73.8)	1.7	53.3	27.7	18.9	31.2
Adj EPS (p), diluted	**59.7**	**80.4**	**81.6**	**74.5**	**61.4**	**73.3**
Total DPS (p)	12.0	14.6	15.4	13.8	11.2	13.3

PRICE CHART - 1 YEAR ABSOLUTE vs FTSE ALL SHARE



Source: FactSet, closing price 5th September 2024

SHAREHOLDERS

	% of ord. Share capital
Octopus Investments	11.9%
Liontrust Investment Partners	10.0%
Aviva Investors	9.9%
Slater Investments	6.7%
Directors	5.5%
BlackRock	4.8%
JPMorgan AM	4.1%
abrdn	3.3%
	56.2%

CASH FLOW

Year to 31 January, £m	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Profit: (add back)	(64.6)	3.0	53.9	29.5	20.6	32.9
Depreciation & Amortisation	*28.8*	*37.2*	*36.6*	*37.5*	*38.0*	*38.5*
Net Finance costs	*120.3*	*57.1*	*(3.2)*	*35.1*	*32.5*	*31.4*
Tax	*(14.5)*	*7.1*	*26.4*	*10.9*	*7.6*	*12.2*
Working Capital	0.2	(24.4)	(10.7)	(23.2)	17.0	3.3
Other	19.6	15.1	2.0	(8.0)	(6.0)	(6.0)
Cash from Ops	**89.8**	**95.2**	**105.0**	**81.8**	**109.7**	**112.3**
Cash Tax	(14.1)	(20.3)	(25.4)	(10.9)	(7.6)	(12.2)
Tangible Capex	(3.1)	(3.5)	(3.7)	(4.0)	(4.0)	(4.0)
Intangible Capex	(2.7)	(3.5)	(3.4)	(3.5)	(3.5)	(3.5)
Free Cashflow	**69.9**	**67.9**	**72.5**	**63.4**	**94.6**	**92.6**
Dividends	(12.4)	(15.3)	(16.1)	(17.2)	(15.7)	(13.0)
Acquisitions & Inv.	(24.0)	(104.9)	(60.2)	(63.0)	(48.6)	(42.2)
Financing	(1.1)	38.6	1.1	(23.0)	(12.2)	(11.1)
Net Cashflow	**32.4**	**(13.7)**	**(2.6)**	**(39.9)**	**18.1**	**26.3**
Net Cash (Debt)	35.7	26.1	(1.4)	(35.4)	(17.3)	9.0

Announcements

Date	Event
September 2024	Trading update
June 2024	AGM update
April 2024	Final results
January 2024	Trading update
September 2023	H1 results
April 2023	Final results
January 2023	Trading update
September 2022	H1 results

RATIOS

	FY23	FY24	FY25e	FY26e	FY27e
RoE	74.2%	54.9%	40.6%	39.8%	42.5%
RoCE	37.4%	36.9%	33.8%	31.5%	39.0%
Asset Turnover (x)	0.7x	0.7x	0.6x	0.7x	0.6x
NWC % Revenue	13.6%	8.6%	6.3%	15.1%	14.9%
Op Cash % EBITA	83.4%	86.8%	71.4%	121.0%	105.4%

BALANCE SHEET

Year to 31 January, £m	FY22	FY23	FY24	FY25e	FY26e	FY27e
Intangibles	183.1	274.1	279.3	280.8	275.5	268.1
P,P+E	7.5	10.9	10.1	9.9	9.6	9.1
Tax Asset & Other	75.6	97.2	88.4	85.4	82.4	79.4
Total Fixed Assets	**266.2**	**382.1**	**377.8**	**376.2**	**367.5**	**356.6**
Net Working Capital	(51.6)	(76.8)	(49.5)	(37.1)	(79.9)	(83.2)
Capital Employed	**214.5**	**305.3**	**328.4**	**339.1**	**287.6**	**273.4**
Earn Out Liabilities	(188.8)	(217.0)	(170.8)	(111.3)	(112.2)	(105.8)
Net Funds	35.7	26.1	(1.4)	(35.4)	(17.3)	9.0
Net Assets	**61.5**	**114.4**	**156.2**	**192.4**	**158.2**	**176.6**

VALUATION

Fiscal	FY23	FY24	FY25e	FY26e	FY27e
P/E	5.4x	5.3x	5.8x	7.1x	5.9x
EV/EBITDA	3.7x	3.5x	3.7x	4.6x	3.9x
Div Yield	3.4%	3.5%	3.2%	2.6%	3.1%
FCF Yield	14.4%	15.3%	13.4%	20.0%	19.6%
EPS growth	34.5%	1.5%	-8.7%	-17.7%	19.4%
DPS growth	21.7%	5.1%	-10.1%	-19.1%	19.4%

REGULATORY DISCLOSURES

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