Chair's statement

THE GROUP GREW AT ITS FASTEST PACE IN OVER A DECADE.

Penny Ladkin-Brand
Chair

Dear Shareholders,
If there's a word to sum up the last year, it's 'growth'. The Group grew at its fastest pace in over a decade to deliver net revenues of £564m and adjusted profits of just over £112m. Adjusted earnings per share grew from 59.7p to 80.4p and statutory operating profit grew 68% to £67.2m. We completed six small acquisitions, won the largest contract in our history, garnered countless awards, raised £50m of funding and made our largest acquisition to date with Engine.

During the course of the year, we bid for M&C Saatchi but were not successful. This was a disappointment, but also a reminder of the importance of capital discipline. We had strong reasons for wanting to make the acquisition, but we also had firm criteria upon which we believed the deal made sense. I'm therefore pleased that we held our ground and didn't get deal fever. In that regard we showed we are not afraid to walk away when the economics don't make sense. This should give shareholders a great deal of comfort about how we go about delivering growth through acquisition, regardless of the size of the prize.

It was a remarkable year. The Group's fastest pace of growth in many years was thanks in part to the acquisition of Engine, but also the strong organic growth of our brands in every sector. Delivering this kind of growth is not easy but our decentralised structure really enabled us to grow without the business tripping over itself. Our individual brands, which are all specialist in nature, were each able to move at their own pace and navigate their own challenges and opportunities. This agility has for a long time been central to our success and this year we really demonstrated its value.

As the theme of this year's Annual Report shows, we believe that 'growth' in business (in the widest sense of the word) requires a range of complementary specialist products and services to be brought to bear. Some providers offer a one size fits all solution. As Tim says in the CEO's statement, this is the equivalent of a department store versus a specialist retailer. Both can offer great value. One offers convenience and the other offers deep customer service. Our model aims to give customers the best of both worlds. We are able to bring our global footprint and capabilities to bear in ways that are designed to solve the unique challenges our customers face. Going back to the retail analogy, it means our customers aren't having to walk through the toy department every time they need to buy a new sweater. Our complexity is the customer's simplicity.

In terms of how we are delivering growth, the good news is we are now seeing each segment of our business deliver real scale. A few years ago, almost all our revenue was in what we call our Customer Engagement segment. Today, less than 50% of our net revenue is in that area and we have already surpassed the US$100m revenue goal we set for ourselves in Business Transformation, with net revenues hitting £134.8m, achieving our goals two years ahead of schedule.

In order to enable the Group to scale, the Board has focused on what it believes are the foundations of a modern company: a diverse, well-motivated and incentivised work force; a diverse and engaged Board (with the additions of Dianna Jones and Paul Butler, both based in the US, to the Group's Board this year); investment in building technology and data into the fabric of all our brands; and elevating the importance of ESG through everything we do. We believe that by demonstrating to our clients and workforce that we are truly committed to delivering on an ESG agenda we are embedding best practice that will deliver immense long-term value.

Chair's statement continued

"Next 15 is on a journey and has bold ambitions for the future."

Next 15 is on a journey and has bold ambitions for the future. We believe there is an important business to be built at the intersection of the management consulting, systems integration and digital marketing worlds. A business that can, through a collection of specialist products and services, help customers maximise their growth not just in financial terms, but also in market share, human capital and a range of other ways. We think the revenues for this business are well above the £1 billion mark if we get things right. To be successful, we need to remain disciplined in terms of how we allocate our resources and our capital and not flinch from the decentralised model that has served us so well over the years.

Looking to the year ahead, the macro-economic environment is clearly harder to navigate. However, we expect the increasing diversification of the Group to stand us in good stead, whilst we are predicting slower organic and overall growth than in the year just ended. Part of this is our natural caution but a part is simply that, as we scale, delivering such percentage levels of growth does get harder. That said, the Group ended the year with a strong liquidity position, leaving it well placed to make acquisitions in a market where competition for deals is expected to be lower. We expect last year's capital discipline to prove beneficial for the acquisitions in the year ahead.

In closing, I want to thank the people, customers and partners of Next 15 for all they have done in the last year. It has been an incredible year in so many ways and it wouldn't have been possible without you.

Penny Ladkin-Brand
Chair
24 April 2023