

AGM update – Revenue in-line, mix impacting margin, Mach49 news

1 Year Chart



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

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The AGM trading update paints a mixed picture. Revenue performance remains solid and the company has re-iterated its previous guidance. Given the challenges facing the sector, and especially those with substantial North American exposure, we see this relative stability as welcome news. However, the changing revenue mix in the group has driven further downward pressure on margins. The strongest performing businesses in the group are either those that offer a lower contribution margin (ie the public sector focused Transform) or are deep in a growth re-investment phase (SMG).

Our estimate revisions reflect the Mach49 news, FX headwinds and the margin mix. FY26E revenues reduces by -2% and EBITA by -15%. On our revised estimates, Next 15 trades on a FY1 PE of 6.6x and a 3.2% dividend yield. Given the news regarding the Mach49 earn out, the free cashflow yield (9% in FY26 rising to 16% in FY27) is very real. The portfolio simplification flagged at the final results has seen Palladium disposed and we expect further newsflow here as the year progresses.

- **Revenue stability:** Overall, revenue has held up well in the first few months of FY26 and at a headline, pre Mach49 level, revenues for FY26 looks broadly stable. Growth is not uniform across the group, however, with SMG and Transform continuing to show good 10% plus growth, offset by continuing softness in the more B2B focused businesses such as Activate.
- **Margin being dictated by mix:** As evidenced in the final results, Next 15 has made good progress in streamlining costs, with much of the heavy lifting already achieved. The primary driver of margins in FY26 is going to be in the revenue mix with a broad range of contribution margins contained within the group moving at different speeds. The Mach49 news is likely to see that business negatively impacted in FY26 and we reflect that in our estimates.
- **Mach49 news will focus eyes on free cashflow yield:** The news that Next 15 have uncovered evidence of irregularities at Mach49 now means that earn out payments have been suspended. Group cashflow will benefit and should focus attention on the c.£34m / £59m free cash generation we expect in FY26 / FY27 respectively and the free cashflow yield of 16% in FY27.
- **Estimates:** Our revenue estimate for FY26E reduces by -2% and we have shifted our underlying mix assumptions. We have also assumed a further £5m negative hit to Mach49 margins as a result of the news announced yesterday. Our FY26E EBITA estimate reduces by -15% and PBT by -23%.

January, £m	Revenue	PBT adj	EPS (p)	Div (p)	Net Cash	PE x	Yield %
FY 2024A	577.8	117.9	81.6	15.4	(1.4)	3.5	5.3
FY 2025A	569.7	101.4	69.3	15.4	(38.4)	4.2	5.3
FY 2026E	486.1	63.0	43.5	9.7	(67.0)	6.6	3.3
FY 2027E	511.9	76.6	53.1	11.8	(35.4)	5.4	4.1
FY 2028E	539.2	86.7	60.2	13.4	14.2	4.8	4.6

Changes to h2Radnor estimates

In Figure 1 below, we detail our key estimate revisions.

Figure 1: h2Radnor estimate revisions

	2025A	Previous		New		Change, %	
		2026E	2027E	2026E	2027E	2026E	2027E
Customer Engagement	262.0	246.3	258.6	239.2	251.2	- 3%	- 3%
Customer Delivery	109.6	109.6	115.1	113.4	119.1	+ 3%	+ 3%
Customer Insight	55.4	52.6	56.8	52.1	56.2	- 1%	- 1%
Business Transformation	142.7	85.6	89.9	81.3	85.4	- 5%	- 5%
Revenue	569.7	494.1	520.4	486.1	511.9	- 2%	- 2%
Customer Engagement	53.9	49.7	53.0	48.4	51.5	- 3%	- 3%
Customer Delivery	23.9	24.1	28.8	22.0	26.2	- 9%	- 9%
Customer Insight	7.0	8.4	10.2	7.4	9.0	- 12%	- 12%
Business Transformation	40.0	18.8	20.7	8.9	12.8	- 52%	- 38%
Central Overhead	-17.3	-21.0	-21.3	-18.5	-21.0	- 12%	- 1%
EBITA	107.4	80.0	91.4	68.2	78.5	- 15%	- 14%
- margin %	18.9%	16.2%	17.6%	14.0%	15.3%		
Adj. PBT	101.4	82.3	95.3	63.0	76.6	- 23%	- 20%
Adj. EPS (p)	69.3	57.6	66.9	43.5	53.1	- 24%	- 21%
Dividend (p)	15.4	10.5	12.2	9.7	11.8	- 8%	- 3%
Net Cash (Debt)	-38.4	-52.1	-41.3	-67.0	-35.4		

Source: h2Radnor

Next 15 Group PLC

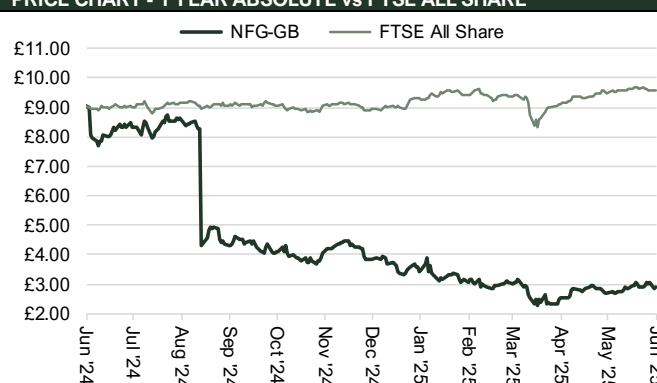
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Price (p): 289 p
Market Cap: 292 m
EV: 359 m

PROFIT & LOSS

Year to 31 January, £m	FY24	FY25	FY26e	FY27e	FY28e
Customer Engagement	263.1	262.0	239.2	251.2	263.7
Customer Delivery	107.7	109.6	113.4	119.1	125.1
Customer Insight	57.5	55.4	52.1	56.2	60.7
Business Transformation	149.6	142.7	81.3	85.4	89.7
Group Net Revenue	577.8	569.7	486.1	511.9	539.2
Customer Engagement	53.2	53.9	48.4	51.5	55.4
Customer Delivery	29.1	23.9	22.0	26.2	30.0
Customer Insight	10.4	7.0	7.4	9.0	10.9
Business Transformation	48.3	40.0	8.9	12.8	14.3
Head Office	(19.8)	(17.3)	(18.5)	(21.0)	(22.1)
EBITA - Adjusted	121.1	107.4	68.2	78.5	88.6
Associates & JV's	-	-	-	-	-
Net Bank Interest	(3.1)	(6.0)	(5.2)	(1.9)	(1.9)
PBT - Adjusted	117.9	101.4	63.0	76.6	86.7
Non Operating Items	(45.1)	(51.7)	(30.0)	(25.0)	(25.0)
Other Financial Items	7.5	12.7	(13.5)	(13.5)	(13.5)
PBT - IFRS	80.3	62.5	18.8	37.5	47.7
Tax	(26.4)	(21.5)	(5.1)	(10.1)	(12.9)
Tax - Adjusted	(31.1)	(27.8)	(16.4)	(19.9)	(22.5)
Tax rate - Adjusted	26.3%	27.4%	26.0%	26.0%	26.0%
Minority interests	1.0	1.5	1.3	1.4	1.4
No. shares m	99.2	100.4	100.4	100.4	100.4
No. shares m, diluted	105.2	104.2	104.2	104.2	104.2
IFRS EPS (p)	53.3	39.3	12.4	25.9	33.2
Adj EPS (p), diluted	81.6	69.3	43.5	53.1	60.2
Total DPS (p)	15.4	15.4	9.7	11.8	13.4

PRICE CHART - 1 YEAR ABSOLUTE vs FTSE ALL SHARE



SHAREHOLDERS

	% of ord. Share capital
Octopus Investments	11.0%
Aviva Investors	10.6%
Liontrust Investment Partners	10.2%
Slater Investments	6.3%
Directors	5.5%
Janus Henderson	5.1%
abrdn	3.8%
JPMorgan AM	3.4%
	55.9%

CASH FLOW

Year to 31 January, £m	FY24	FY25	FY26e	FY27e	FY28e
Net Profit: (add back)	53.9	41.0	13.8	27.4	34.8
Depreciation & Amortisation	36.6	34.6	33.0	33.5	33.5
Net Finance costs	4.2	6.9	5.9	2.5	2.4
Tax	26.4	21.5	5.1	10.1	12.9
Working Capital	(10.7)	(7.0)	(13.6)	(2.0)	2.3
Other	(5.5)	(0.8)	11.0	11.0	11.0
Cash from Ops	105.0	96.1	55.2	82.5	96.9
Cash Tax	(25.4)	(20.7)	(13.9)	(16.1)	(18.2)
Tangible Capex	(3.7)	(2.2)	(3.0)	(3.0)	(3.0)
Intangible Capex	(3.4)	(5.0)	(4.5)	(4.5)	(4.5)
Free Cashflow	72.5	68.2	33.8	58.9	71.2
Dividends	(16.1)	(16.4)	(15.4)	(9.7)	(11.8)
Acquisitions & Inv.	(60.2)	(67.3)	(35.0)	(10.0)	(3.0)
Financing	1.1	0.2	(12.0)	(7.7)	(6.7)
Net Cashflow	(2.6)	(15.3)	(28.6)	31.5	49.7
Net Cash (Debt)	(1.4)	(38.4)	(67.0)	(35.4)	14.2

BALANCE SHEET

Year to 31 January, £m	FY24	FY25	FY26e	FY27e	FY28e
Intangibles	279.3	270.5	266.7	254.5	240.0
P,P+E	10.1	7.6	6.3	4.8	3.3
Tax Asset & Other	88.4	70.3	70.3	70.3	70.3
Total Fixed Assets	377.8	348.4	343.2	329.6	313.6
Net Working Capital	(49.5)	(42.2)	1.5	3.5	1.2
Capital Employed	328.4	306.2	344.7	333.1	314.7
Earn Out Liabilities	(170.8)	(86.6)	(49.5)	(14.5)	(4.5)
Net Funds	(1.4)	(38.4)	(67.0)	(35.4)	14.2
Net Assets	156.2	181.2	228.3	283.1	324.5

Announcements

Date	Event
June 2025	AGM update & Mach49 investigation
April 2025	Final results
January 2025	Trading update
September 2024	Trading update
June 2024	AGM update
April 2024	Final results
January 2024	Trading update
September 2023	H1 results

RATIOS

	FY23	FY24	FY25	FY26e	FY27e
RoE	74.2%	54.9%	39.8%	19.9%	19.5%
RoCE	37.4%	36.9%	35.1%	19.8%	23.6%
Asset Turnover (x)	0.7x	0.7x	0.6x	0.7x	0.6x
NWC % Revenue	13.6%	8.6%	7.4%	-0.3%	-0.7%
Op Cash % EBITA	83.4%	86.8%	89.5%	80.9%	105.1%

VALUATION

Fiscal	FY23	FY24	FY25	FY26e	FY27e
P/E	3.6x	3.5x	4.2x	6.6x	5.4x
EV/EBITDA	2.8x	2.6x	2.9x	4.4x	3.9x
Div Yield	5.1%	5.3%	5.3%	3.3%	4.1%
FCF Yield	18.9%	20.2%	19.0%	9.4%	16.4%
EPS growth	34.5%	1.5%	-15.1%	-37.2%	22.0%
DPS growth	21.7%	5.1%	0.0%	-37.0%	22.0%

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