

Next 15 Group

Adapting in a volatile market

Next 15 faced a number of challenges in the year to end January, with a difficult macroeconomic backdrop, relatively high exposure to the tech sector and the loss of the Mach49 contract. This masked some strong performances elsewhere within the group, particularly at SMG where existing relationships with retailers have been extended and important new customers brought on board. Next 15 has been responding to market conditions through simplifying the group structure (with more to do here), taking out duplicated costs and working to drive greater alignment between the various group companies and activities. The balance sheet is in good enough health to support continuing bolt-on M&A, investment in AI and new capabilities, with the maintained dividend providing an attractive yield.

Realignment to capitalise on strengths

The loss of the Mach49 contract, reported last September, knocked around £7m from FY26 net revenue, with a £76m current year impact. Restructuring costs of £17m have been taken for FY25, targeted to deliver annualised savings of £45m. Contingent consideration is significantly reduced (£72.7m at end January), with the share price the key determinant of settlement in cash or equity. A leverage target of up to 1.5x net debt to EBITDA gives plenty of scope to continue with investments in internal capabilities, including AI, as well as funding appropriate M&A. Next 15 has historically been predisposed to buying and building. Management is now paying more attention to considering if it is the best owner of all its operations. Freeing up capital to invest in those businesses where it has greatest potential, such as SMG, and its companies based on data and insights, strikes us as a sensible strategy.

Efficiency opportunities

The Next 15 Group includes a number of companies with expertise in the B2B marketing space, including four focused on the enterprise tech sector. 'Project Goose' is bringing these together behind the scenes, in a model that may be suitable for replication in other parts of the group. In this instance, it gives scale and operational efficiency, and should allow a transition to an always-on, AI and data-driven platform for marketing optimisation available on a subscription basis.

Valuation: Reflecting company and sector woes

The share price has drifted since September, compounded by poor sentiment for tech sector suppliers, the marketing sector and smaller companies generally. Current consensus indicates that FY26 will be the low point for profitability, with the share price allowing no credit for the still decent margins and strong balance sheet.

Consensus forecasts

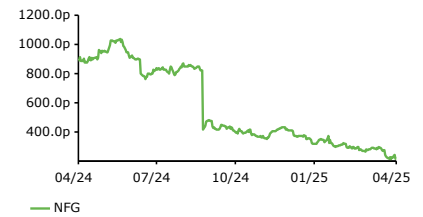
Year end	Net revenue (£m)	EBIT (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
1/24	577.8	121.1	117.9	81.60	15.35	2.8	6.6
1/25	569.7	107.4	101.4	69.30	15.35	3.4	6.6
1/26e	493.3	81.8	76.2	53.40	15.35	4.4	6.6
1/27e	510.1	87.1	81.3	56.90	15.35	4.1	6.6

Source: LSEG Data & Analytics Note: EBIT, PBT and EPS are adjusted

Media
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Price 232.50p
Market cap £235m

Share price performance



Share details

Code	NFG
Listing	AIM
Shares in issue	100.9m
Net cash/(debt) at 31 January 2025	£(38.4)m

Business description

Next 15 is a portfolio of modern specialist, data-led marketing consultancies. It has a deep focus on technology and data, with expertise across digital transformation, demand generation, data-driven decision-making and customer experience.

Bull points

- Reduced cost base provides some protection to margins.
- Sound balance sheet with reduced impact from future earnouts.
- Investment in AI to date gives head start.

Bear points

- FY26 will reflect the full year impact of the loss of the Mach49 contract.
- Macro uncertainty affecting trading, especially in tech and the IPO market.
- Headwinds from stronger sterling.

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