DWF FY20 Results and FY21 YTD Trading Update

8 September 2020

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Agenda

1	**Welcome** Sir Nigel Knowles
2	**Financial Review** Chris Stefani
3	**Operational Review** Sir Nigel Knowles & Matthew Doughty
4	**Outlook** Sir Nigel Knowles
5	**Q&A**

Sir Nigel Knowles
Chief Executive Officer

Chris Stefani
Chief Financial Officer

Matthew Doughty
Chief Operating Officer

Welcome

First 100 days: decisive action and strong Q1 recovery

Reaffirming our commitment to strategy

- Committed to our Advisory, Managed, Connected model
- Strategic review completed resulting in targeted actions to improve efficiency – including decision to close or reduce presence in certain locations
- FY21 budgets and business plans agreed

Emphasis on operational excellence

- International integration – getting the most from what we already have
- Increased focus on finance essentials: billing & cash collection
- ‘One team’ philosophy – increasing communication, alignment, collaboration and client-sharing

Strong Q1 recovery

- 20% Q1 revenue growth; organic growth of 5%
- Very strong profit growth, with net debt and lock-up coming down from April 20 highs
- Several new wins with institutional client base and good pipeline of bid activity
- Strong lateral hire pipeline to support drive for organic growth

Financial Review

Chris Stefani

Financial highlights

FY 20 Recap: A challenging H2 with material COVID-19 impact diluted the full year results

- Revenue **£297.2m** *+11%*
- Rev/partner **£784.3k** *-9%*
- Cost/Inc. **42.6%** *-0.1 ppts*
- Underlying Adj EBITDA **£21.8m** *-22%*
- Underlying Adj PBT **£13.8m** *-32%*
- Lockup days **206 days** *+3 days**
- Net debt **£64.9m** *+£29.6m**

Double digit revenue growth, but H2 organic performance on revenue and profit materially supressed by COVID-19

* All variances stated as the variance to 30 April 2019

FY21 YTD: Significant progress made since the Q4 FY20 dip in activity***

- Revenue **£84.3m** *+20%*
- Rev/partner **£228.0k** *+6%*
- Cost/Inc. **37.8%** *-7.0 ppts*
- Underlying Adj EBITDA **£9.7m** *+145%*
- Underlying Adj PBT **£7.4m** *+231%*
- Lockup days **200 days** *-6 days***
- Net debt **£55.2m** *-£9.7m***

Positive progression on all metrics, with strong pipeline of work

** Variances stated relative to 30 April 2020
*** Unaudited figures

Divisional performance - Insurance

A creditable organic performance, weakened in Q4 due to lockdown transition, now recovering

Insurance £m	FY20 Full Year FY 2019/20	FY 2018/19	Variance £m	Variance %
Revenue	**95.8**	**91.1**	**4.7**	**5 %**
Direct cost	(49.7)	(44.5)	(5.2)	12 %
Reported gross profit	**46.1**	**46.5**	**(0.4)**	**(1)%**
Reported gross margin	*48.1%*	*51.1%*		*(3.0) ppts*
Underlying gross profit	**46.1**	**43.9**	**2.2**	**5 %**
Underlying gross margin	*48.1%*	*48.2%*		*(0.1) ppts*

- 5% organic revenue growth suppressed by COVID-19 impact in Q4.
- GM% (underlying) marginally diluted.
- Gross profit contribution slightly behind prior year due to COVID-19 impact proximity to year end.
- Revenue per partner is £1,389k (+20%).

FY21 Q1
Revenue
£24.1m
+6%

FY21 Q1
Underlying
gross margin
48.3%
-0.1ppt

- 6% organic revenue growth in Q1 as activity levels begin to normalise back towards pre-COVID levels.
- GM% flat on prior year with some benefit expected from cost savings and transition to Managed Services.
- Direct costs do not yet reflect cost saving measures.
- Q1 FY21 Revenue per partner is £336k (+9%).

FY21 already showing a resilient performance as activity levels normalise

Divisional performance - Commercial

Significant H2 contraction as a number of transactional teams saw activity drop sharply due to COVID-19

Commercial £m	FY20 Full Year FY 2019/20	FY 2018/19	Variance £m	Variance %
Revenue	**104.4**	**108.9**	**(4.5)**	**(4)%**
Direct cost	(46.0)	(40.5)	(5.5)	13 %
Reported gross profit	**58.4**	**68.4**	**(10.0)**	**(15)%**
Reported gross margin	*56.0%*	*62.8%*		*(6.8) ppts*
Underlying gross profit	**58.4**	**64.6**	**(6.2)**	**(10)%**
Underlying gross margin	*56.0%*	*59.3%*		*(3.4) ppts*

- 4% contraction driven by COVID-19 impact in Q4.
- GM% (underlying) significantly diluted due to extent and timing of drop in activity, especially in transactional teams, combined with partner hire investments.
- Larger client projects put on hold also led to significant WIP write-offs in Q4
- Revenue per partner is £859k (-3%)

FY21 Q1
Revenue
£28.5m
+9%

FY21 Q1
Underlying
gross margin
56.5%
-3.3pts

- 9% growth in Q1 as activity levels begin to normalise back towards pre-COVID levels.
- GM% behind PY but 0.5pts higher than FY20 full year.
- Direct cost growth does not yet reflect full impact of cost saving measures already executed.
- Q1 FY21 Revenue per partner is £211k (-4%)

Recovery in transactional areas is more difficult to predict, but actions have been taken on costs to enhance FY21 margin performance

Divisional performance - Connected

13% growth, lower than anticipated, but due to one underperforming unit with 23% growth underlying

Connected £m	FY20 Full Year			
	FY 2019/20	FY 2018/19	Variance £m	Variance %
Revenue	**20.9**	**18.5**	**2.4**	**13 %**
Direct cost	(14.1)	(11.6)	(2.6)	22 %
Reported gross profit	**6.7**	**6.9**	**(0.2)**	**(3)%**
Reported gross margin	*32.3%*	*37.4%*		*(5.2) ppts*
Underlying gross profit	**6.7**	**6.8**	**(0.1)**	**(1)%**
Underlying gross margin	*32.3%*	*36.8%*		*(4.6) ppts*

- 13% organic revenue growth affected by COVID-19 impact in Q4, with lower than expected demand for the products and services of DWF 360, the software business.
- Underlying growth excluding DWF 360 is 23% with every business in the portfolio showing growth on PY.
- Revenue per partner is £1,123k (-27%)

FY21 Q1 Revenue **£6.4m** *+34%*

FY21 Q1 Underlying gross margin **43.2%** *+8.9pts*

- Strong start to FY21 with 34% organic revenue growth in Q1 as activity levels normalise.
- GM% is 9pts higher than PY and 11pts higher than FY20 full year position
- Claims handling is the largest business in the portfolio (a third of Connected revenues)
- Q1 FY21 Revenue per partner is £340k (+5%)

If claims activity and litigation pick up post COVID-19, the division should be well placed to capitalise on this

Divisional performance - International

53% growth in FY20, driven by acquisitions, with strong pull-through and margin improvement in FY21 YTD

International £m	FY20 Full Year FY 2019/20	FY 2018/19	Variance £m	Variance %
Revenue	**76.2**	**49.7**	**26.5**	**53 %**
Direct cost	(45.2)	(28.1)	(17.1)	61 %
Reported gross profit	**31.0**	**21.6**	**9.4**	**43 %**
Reported gross margin	*40.7%*	*43.4%*		*(2.8) ppts*
Underlying gross profit	**31.0**	**21.6**	**9.4**	**43 %**
Underlying gross margin	*40.7%*	*43.4%*		*(2.8) ppts*

- 53% growth boosted by M&A, 10% organic suppressed by underperformance in Dubai and Germany.
- Investment in partner hires and underperfomance diluted GM%, leading to 2.8pt decline.
- Significant latent capacity in the division with Spain and Poland acquisitions performing well.
- Revenue per partner is £439k (-5%)

FY21 Q1 Revenue **£26m** *+61%*

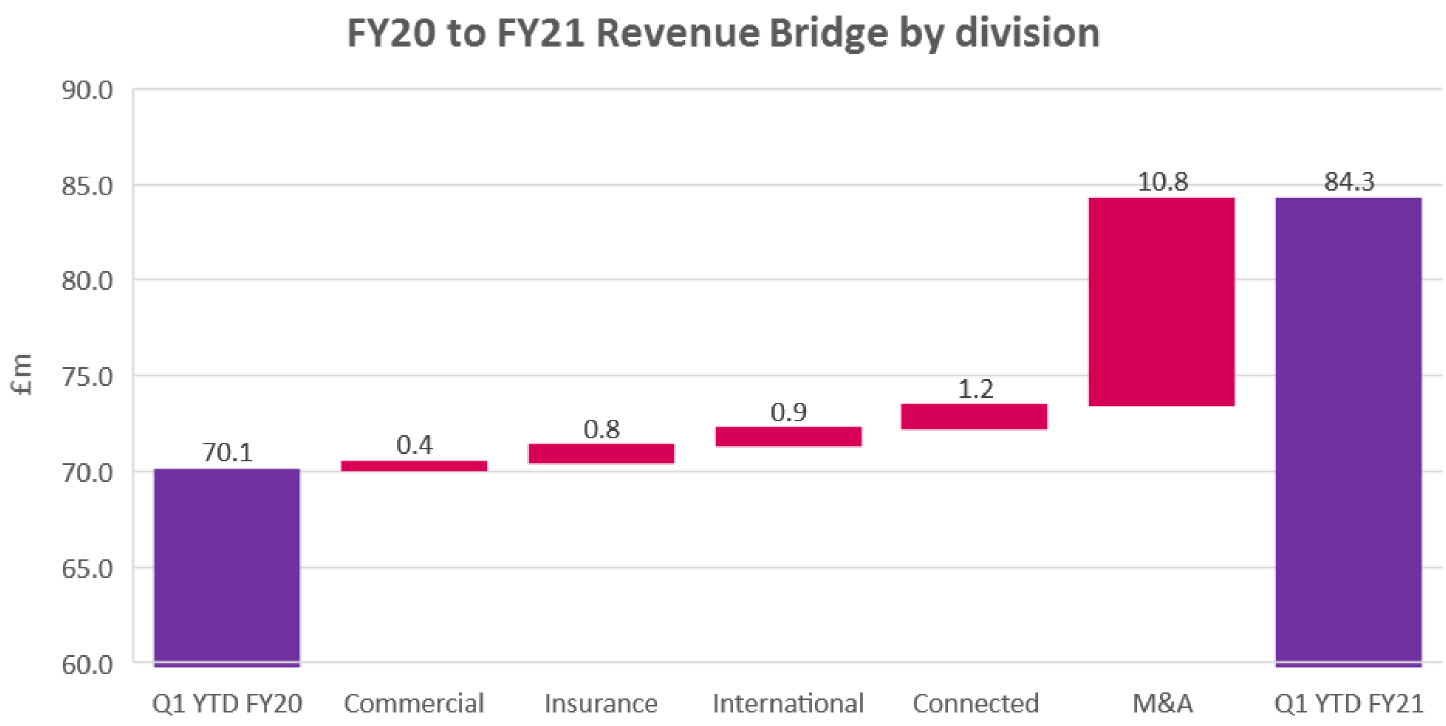
FY21 Q1 Underlying gross margin **45.0%** *+2.1pts*

- 61% revenue YTD growth reflects impact of Spain and Poland plus organic performance of 7%.
- 2.1pt improvement in GM% reflects cost saving initiatives beginning to impact, combined with improved performance across the portfolio.
- Q1 FY21 Revenue per partner is £162k (+18%)

FY21 has started strongly and cost actions are expected to drive a stronger margin and profitable growth

Revenue growth

Activity recovering and revenue growth after the sharp drop in Q4 activity due to COVID-19



FY20 Full Year

FY19 Revenue **£268.1m**

FY20 Revenue **£297.2m** *+11%*

FY21 Q1

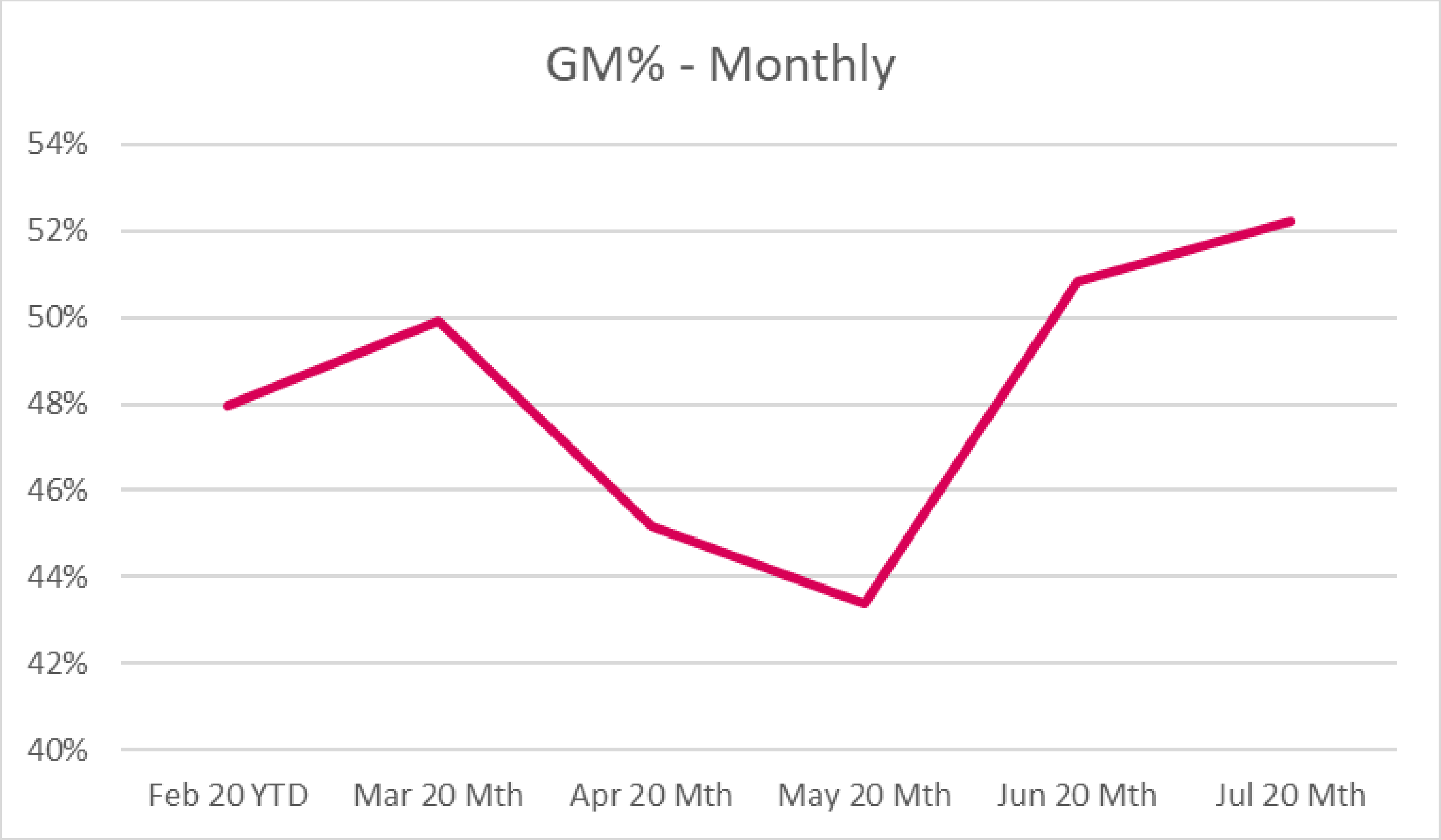
FY20 Q1 Revenue **£70.1m**

FY21 Q1 Revenue **£84.3m** *+20%*

Return to growth in all divisions in Q1 FY21, with a significant contribution from recent strategic acquisitions

Cost savings & GM trajectory (underlying adjusted)

Q4 FY20 saw material margin deterioration due to COVID-19, prompting £15m of cost savings (excluding discontinued operations) to be identified and executed



FY20 Full Year	**FY21 YTD**
FY19 **51.1%**	FY20 Q1 **50.4%**
FY20 **47.9%** *-3.2 ppts*	FY21 Q1 **49.2%** *-1.2 ppts*

FY21 margin is improving but is still slightly behind prior year as cost reductions do not take immediate effect

Discontinued/rationalised operations

Loss making offices closed and/or reduced in scale

- Singapore and Brussels, both loss making and consuming cash, are being closed
- Dubai & Cologne presence is being significantly reduced to remove loss-making elements
- Minimal client disruption expected, whilst financial impact is removal of material EBITDA drag and cash consumption

FY20 Full Year

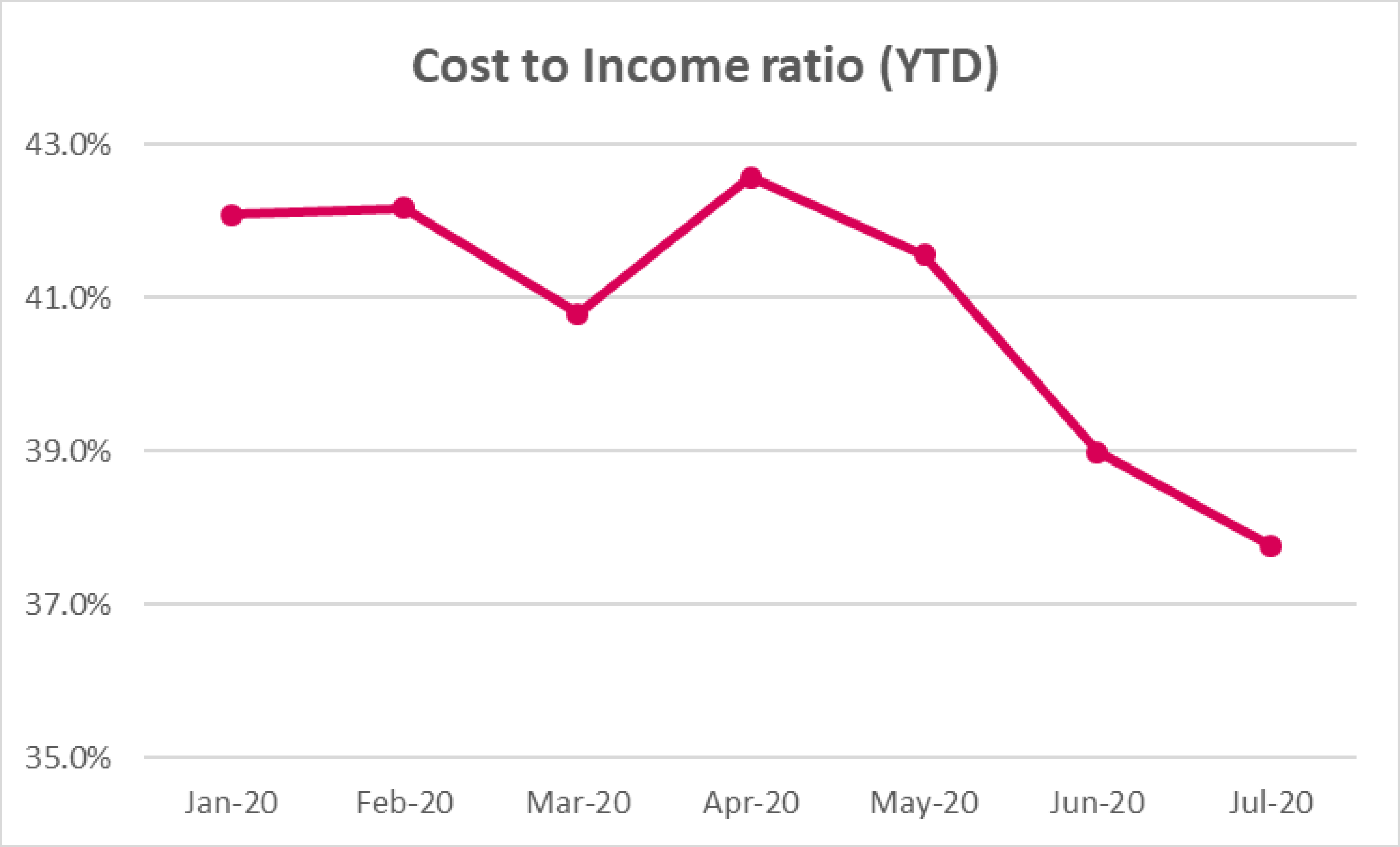
Revenue
£9.9m

EBITDA
(£4.5m)
Loss

Closures will reduce negative EBITDA drag and cash consumption in FY21, and to a greater extent in FY22

Cost to income improvement

Cost to income ratio was flat in FY20 despite sharp drop in revenues in Q4

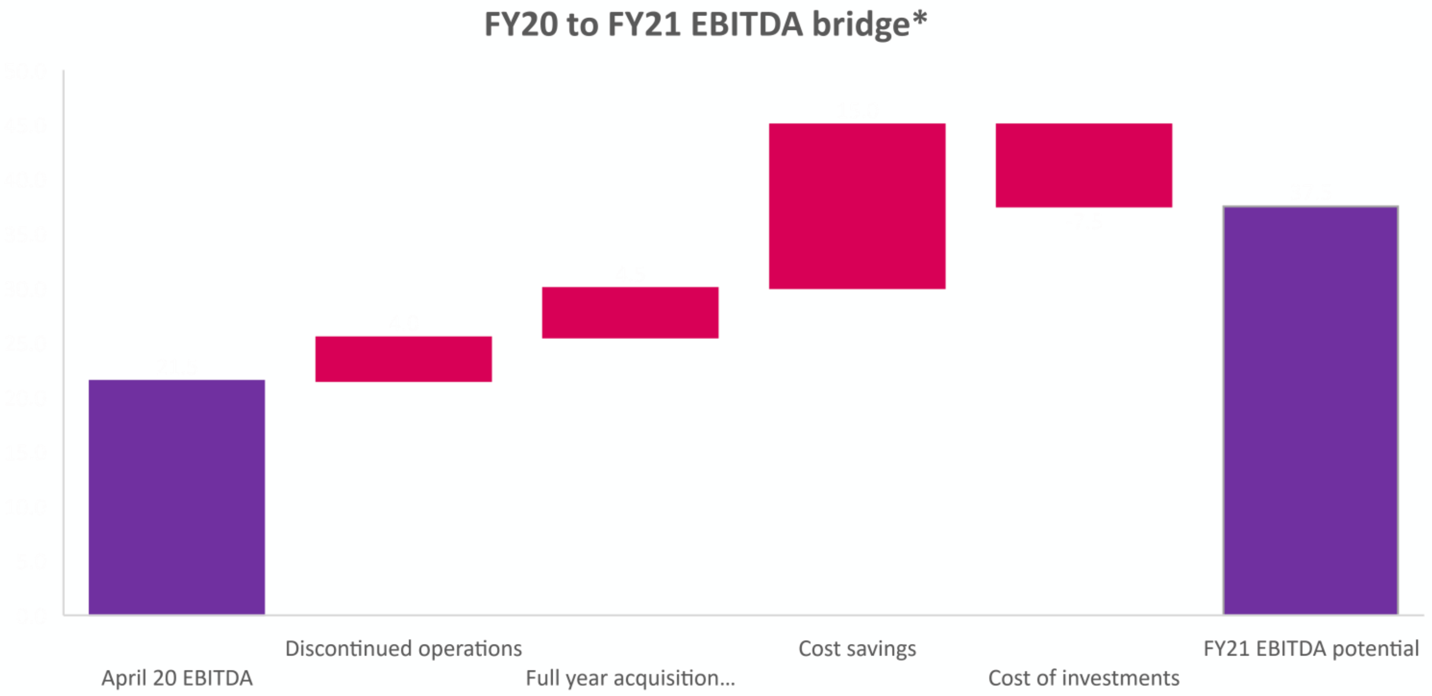


FY20 Full Year	**FY21 Q1**
FY19 Cost/Inc. **42.7%**	FY20 Q1 Cost/Inc. **44.8%**
FY20 Cost/Inc. **42.6%** *-0.1 ppts*	FY21 Q1 Cost/Inc. **37.8%** *-7.0 ppts*

FY21 YTD is showing good progress yoy demonstrating control of costs, and will improve further as revenue normalises

EBITDA bridge (underlying adjusted)

FY20 headwinds not expected to repeat, FY21 opportunities and cost savings, and M&A pull-through transform profitability compared to FY20



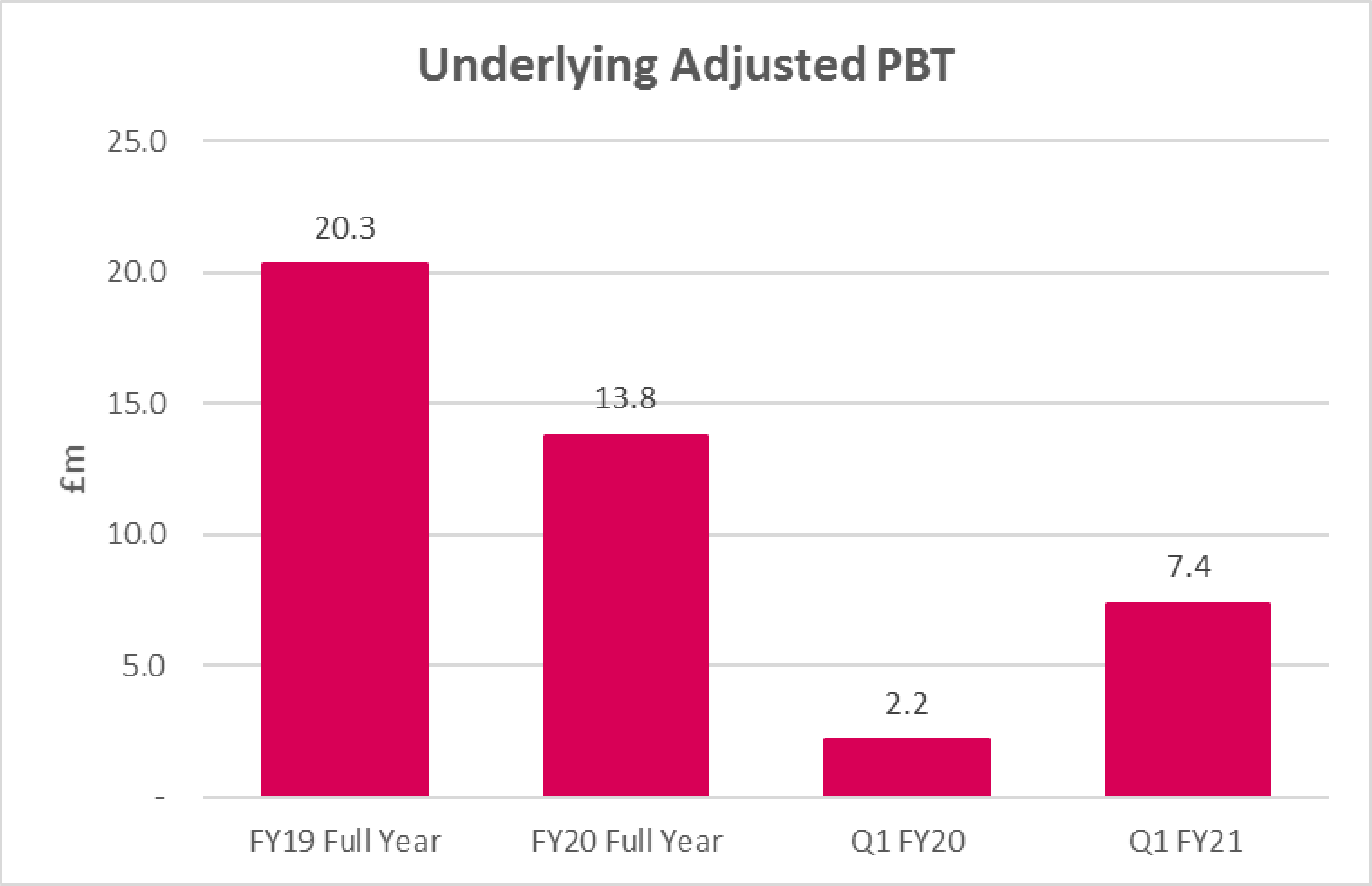
*Indicative performance in a steady state environment - this is not a profit forecast

FY20 Full Year	**FY21 YTD**
FY19 Adjusted EBITDA **£27.8m**	FY20 Q1 Adjusted EBITDA **£4.0m**
FY20 Adjusted EBITDA **£21.8m** *-21.6%*	FY21 Q1 Adjusted EBITDA **£9.7m** *+144.7%*

FY21 YTD has shown a much stronger net margin than the equivalent period in FY20

Net profit development

FY20 underlying adjusted PBT severely impacted by COVID-19

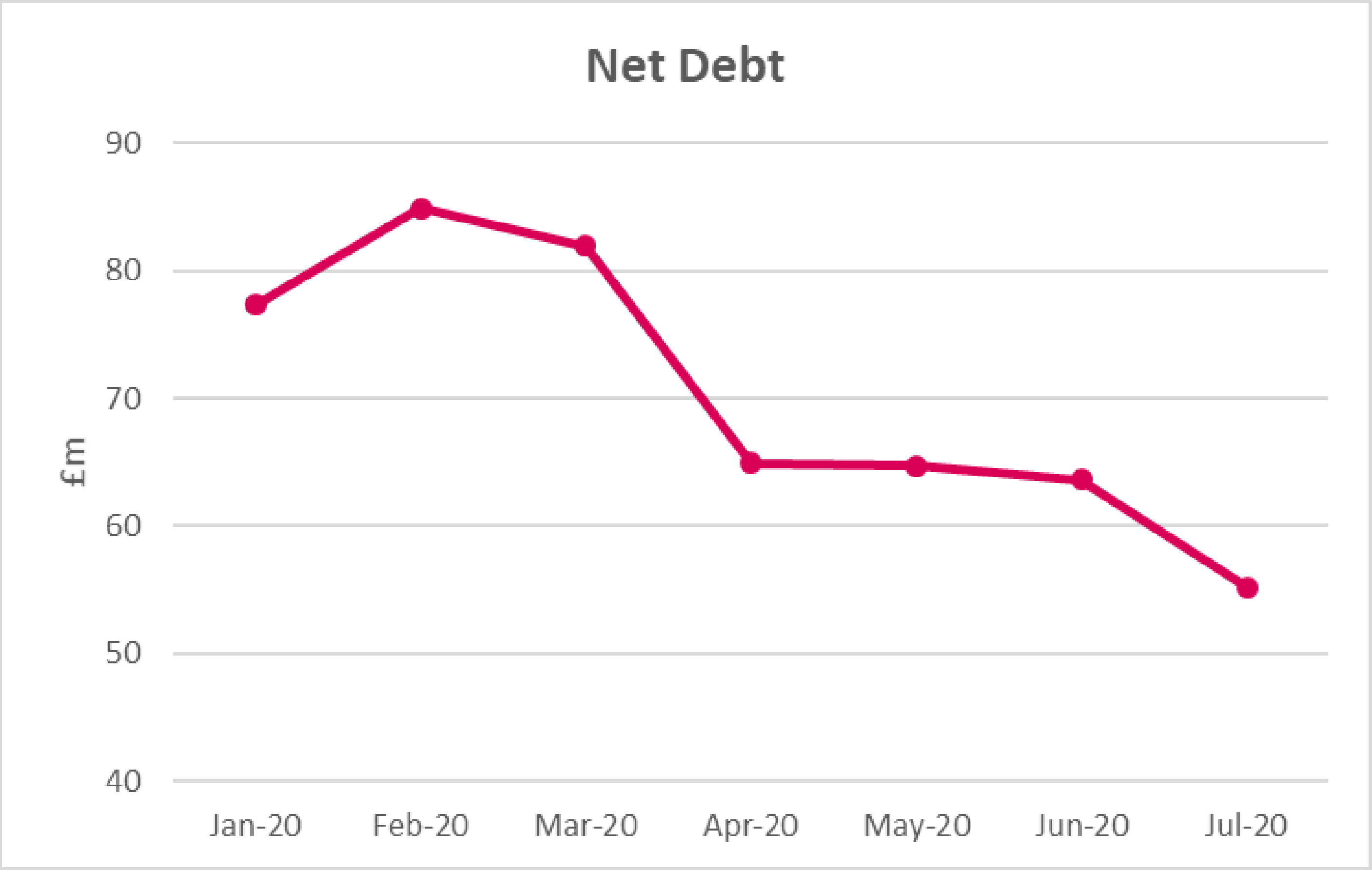


FY20 YTD	**FY21 YTD**
FY19 PBT **£20.3m**	FY20 Q1 PBT **£2.2m**
FY20 PBT **£13.8m** *-32.4%*	FY21 Q1 PBT **£7.4m** *+231.4%*

FY21 Q1 has delivered more than 50% of the FY20 full year PBT, with strong momentum

Net debt trend

FY19/20 acquisition activity contributed to January spike in net debt, position is de-levering despite COVID impact on Q4 FY20



FY20 Full Year	**FY21 YTD**
FY19 Net debt **£35.3m**	FY20 YTD Net debt **£46.2m**
FY20 Net debt **£64.9m** *+29.6m*	FY21 YTD Net debt **£55.2m** *+9m*

Net debt reducing despite deferred consideration, which reduces substantially in FY22

Debtor & WIP days

FY20 vs FY19 year end position affected by COVID-19, whilst Q1 position for FY21 shows improvement on PY

	FY19		FY20		FY20		FY21 (Q1)
Total	**203** days		**206** days		**206** days		**200** days
Debtor Days	**122**	+3 days →	**125**		**125**	-14 days →	**111**
WIP Days	**81**	In-line →	**81**		**81**	+8 days →	**89**

- 6 day reduction since April FY20 year end
- Favourable trends expected to continue
- Specific project with board sponsorship to drive permanent improvement
- Each day of improvement reduces net debt by c.£1m

Cash benefit from multiple initiatives with more progress expected

Summary

A strong start to FY21 after a challenging COVID-19 impacted final quarter of FY20

FY20 Summary

- Double digit growth but significant COVID-19 impact in Q4
- COVID-19 revenue shortfall too close to year end to mitigate so FY20 PBT impacted
- Strategic acquisitions made significant contribution to revenue, but involved outflows that increased leverage (pre-COVID)
- The pre-COVID expectations of Q4 performance on profit and working capital would have given a much lower leverage position

FY21 Summary

- Cost savings implemented to protect FY21 (and beyond) net margin contribution
- Discontinued and slimmed down operations reduce EBITDA and cash drag
- Activity levels normalising with organic and inorganic performance driving 20% revenue growth in Q1
- Gross margins are recovering but yet to normalise to pre-COVID levels
- Despite this, PBT of £7.4m is 231% ahead of PY and represents 54% of the prior year full year contribution
- Strong cash flow for Q1 has led to a reduction in net debt

Optimistic on outlook subject to external environment stabilising

Operational review

Sir Nigel Knowles and Matthew Doughty

Our 100-day plan

In the first 100 days under new management we have delivered or initiated a range of key projects to refocus the Group

100 days

Strategy

- Strategic review complete
- Group / Divisional plans adopted
- Strategic go to market and key account programme planned
- Further refinements to Group operating model in FY22
- Key strategic projects scoped and in progress

Finance and markets

- FY21 budgets agreed
- Cost reduction measures agreed and executed
- July trading update
- FY20 audited results and further trading update
- Capital strategy defined (including additional RCF and covenant relaxation)
- Final dividend for FY20

Operations

- More focus on alignment of our people
- Group bonus plan
- Partner recruitment priorities agreed
- Discontinued or reduced operations
- Realignment of UK&I operating model
- New global website
- Holiday year realigned

Governance

- New chairman appointed
- Deputy chairman role created
- Group COO appointed
- Two new partner directors selected
- Internal appointments to new roles

Strategic priorities

We are focused on driving improvements in our operational delivery and on quickly scaling Managed Services to capitalise on the opportunities we derive from our differentiated model

Lock-up performance

- Restructuring billing and collections operations and processes
- ‘Right first time’ billing data project
- Improving partner tools and support
- Relentless focus and governance

International optimisation

- Belfast and Dublin integrated with existing UK business
- Revised footprint: now focused on 8 key geographies
- Increasing focus on structured client-led marketing and practice group integration across geographies
- Operating process optimisation

Managed Services

- DWF Mindcrest integration on track
- Transitioning more work from Complex to Managed
- Good pipeline of new organic revenue opportunities
- New larger facility in Pune to open in 2021
- Investment in next generation work management platform based on Microsoft Dynamics

Future operating model

- DWF was already an agile business
- COVID: 90%+ working from home.
- Next stage of UK office reopening from 21 September
- Real Estate planning underway

Outlook

Sir Nigel Knowles

Outlook

Cautious optimism in an uncertain environment

Decisive action taken to reshape costs will continue to benefit through FY21 – and beyond

Uncertainty but the resilience in our business means we expect to see activity increase

Steady recovery in the first four months resulting in a significantly improved net profit position

Managed Services scale-up – complex work is moving across & new Pune facility to open in early 2021

Good pipeline of opportunities across our divisions

Full-year benefit of RCD and Mindcrest acquisitions + international optimisation project

Working capital improvements in Q1 expected to continue through a relentless focus

Proposal of final dividend for FY20 underscores current confidence in FY21 outlook

Q&A

Appendix

Appendix – Underlying measures

£m	FY 2019/20	FY 2018/19
Profit before tax ('PBT')	**18.2**	**13.0**
Amortisation of intangible assets - acquired	1.5	-
Impairment	0.4	-
Gain on bargain purchase	(25.1)	-
Non-underlying items	7.6	12.6
Share based payments expense	12.6	1.2
Adjusted PBT	**15.2**	**26.8**
Depreciation of right-of-use asset	11.6	-
Other depreciation and amortisation	6.2	5.4
Interest payable on leases	2.0	-
Net finance expense	1.9	2.1
Adjusted operating profit ('Adjusted EBITDA')	**36.9**	**34.3**
Internally reported partner remuneration pro-forma adjustment	-	(6.5)
Impact of the transition to IFRS 16	(15.1)	-
Underlying adjusted EBITDA	**21.8**	**27.8**

£m	FY 2019/20	FY 2018/19
Operating Profit	**22.2**	**15.2**
Impairment	0.4	-
Amortisation of intangible assets – acquired	1.5	-
Depreciation and amortisation	17.8	5.4
Gain on bargain purchase	(25.1)	-
Non-underlying items	7.6	12.6
Share based payments expense	12.6	1.2
Adjusted operating profit	**36.9**	**34.3**

£m	FY 2019/20	FY 2018/19
Adjusted PBT	**15.2**	**26.8**
Internally reported partner remuneration pro-forma adjustment	-	(6.5)
Impact of the transition to IFRS 16	(1.4)	-
Underlying adjusted PBT	**13.8**	**20.3**