



# DWF FY21 Results

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21 July 2021

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# Disclaimer

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Certain statements made in this presentation are, and the subsequent question and answer session may contain, forward-looking statements. Phrases such as "aim", "plan", "intend", "should", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward looking statements are based on current expectations and assumptions and are subject to a number of known and unknown risks, uncertainties and other important factors that could cause actual results or events to differ materially from what is expressed or implied by those statements. Many factors may cause actual results, performance or achievements of DWF Group plc to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Important factors that could cause actual results, performance or achievements of DWF Group plc to differ materially from the expectations of DWF Group plc include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty, including as a result of global pandemics. As such, undue reliance should not be placed on forward-looking statements. Any forward-looking statement is based on information available to DWF Group plc as of the date of the statement. All written or oral forward-looking statements attributable to DWF Group plc are qualified by this caution. Other than in accordance with legal and regulatory obligations, DWF Group plc undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# Introduction

Sir Nigel Knowles



# Agenda

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1. **Introduction**  
Sir Nigel Knowles
  2. **Financial Review**  
Chris Stefani
  3. **Strategic Update**  
Matthew Doughty
  4. **Summary**  
Sir Nigel Knowles
  5. **Q&A**
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**Sir Nigel Knowles**  
Chief Executive Officer



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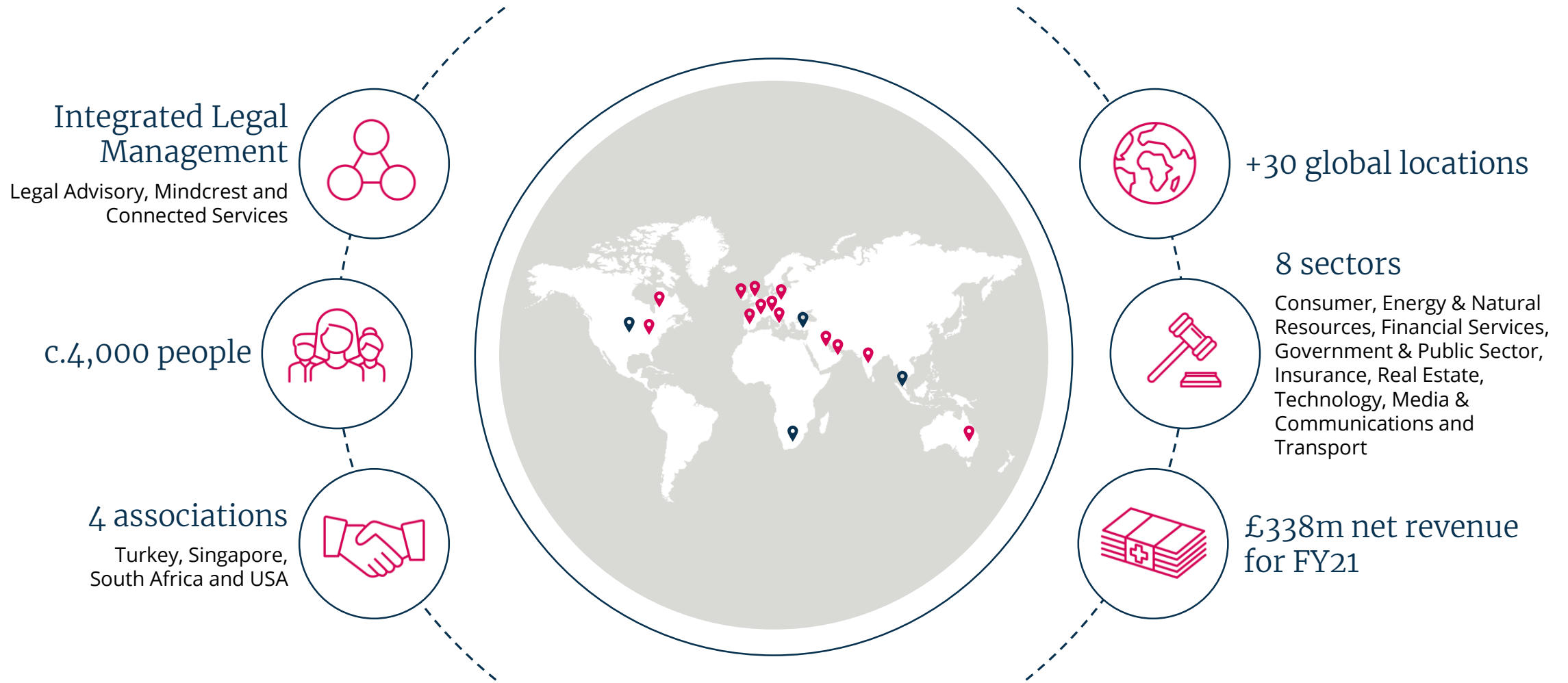
**Chris Stefani**  
Chief Financial Officer



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**Matthew Doughty**  
Chief Operating Officer

# Who we are: a leading global provider of integrated legal and business services



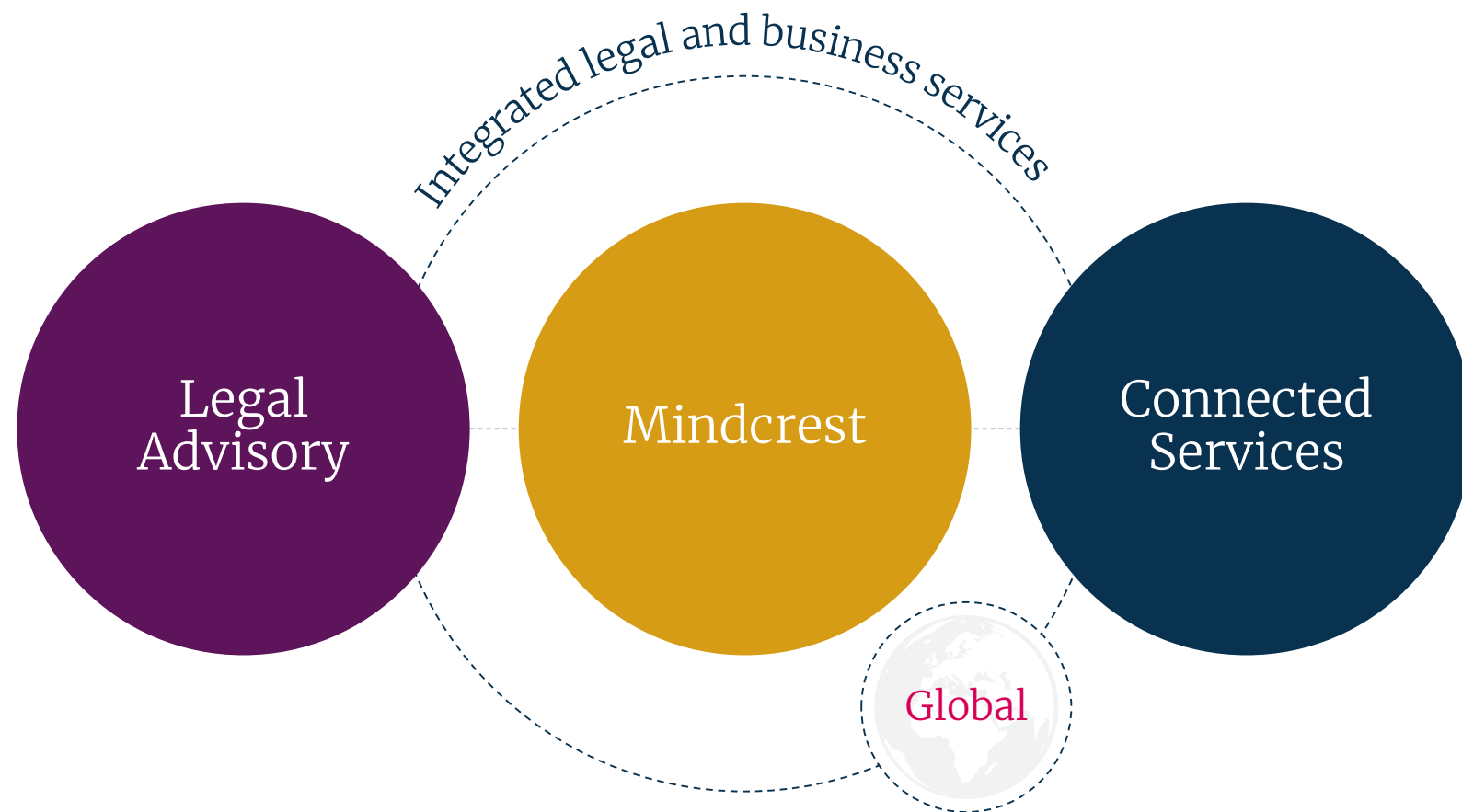
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Our vision is to become the leading global provider of integrated legal and business services

Our single **Integrated Legal Management** approach simplifies the supply chain, delivers greater efficiency, price certainty and transparency without compromising on quality and service.

- **Legal Advisory:** premium legal advice, commercial intelligence and relevant industry experience
- **Mindcrest:** outsourced and process-led legal services, designed to standardise, systematise, scale and optimise legal workflows
- **Connected Services:** our range of products and business services that enhance and complement our legal offering

# Our Strategy



# A year of transformation

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# Delivering positive outcomes

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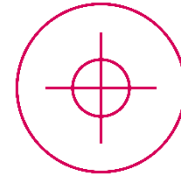
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1. Adjusted PBT up 125% on prior year to £34m



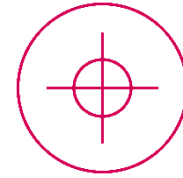
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2. Lock-up down by 20 days from 206 to 186 and net debt reduced by £5m



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3. Final dividend of 3p per share to give total dividend of 4.5p for the year



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4. New operating structure provides platform for sustainable, profitable growth

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Our Purpose is to deliver positive outcomes with our colleagues, clients and communities.



# Financial review

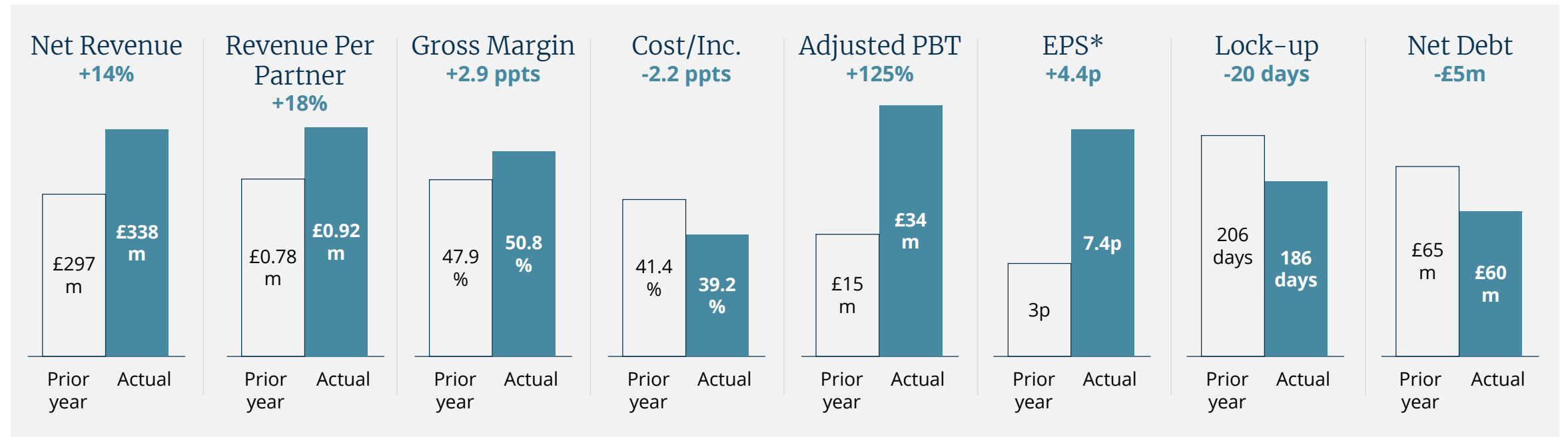
Chris Stefani



# Financial highlights

## FY21: Outperformance on all metrics

Revenue growth, gross margin expansion, cost/income reduction, working capital improvement and profit transformation



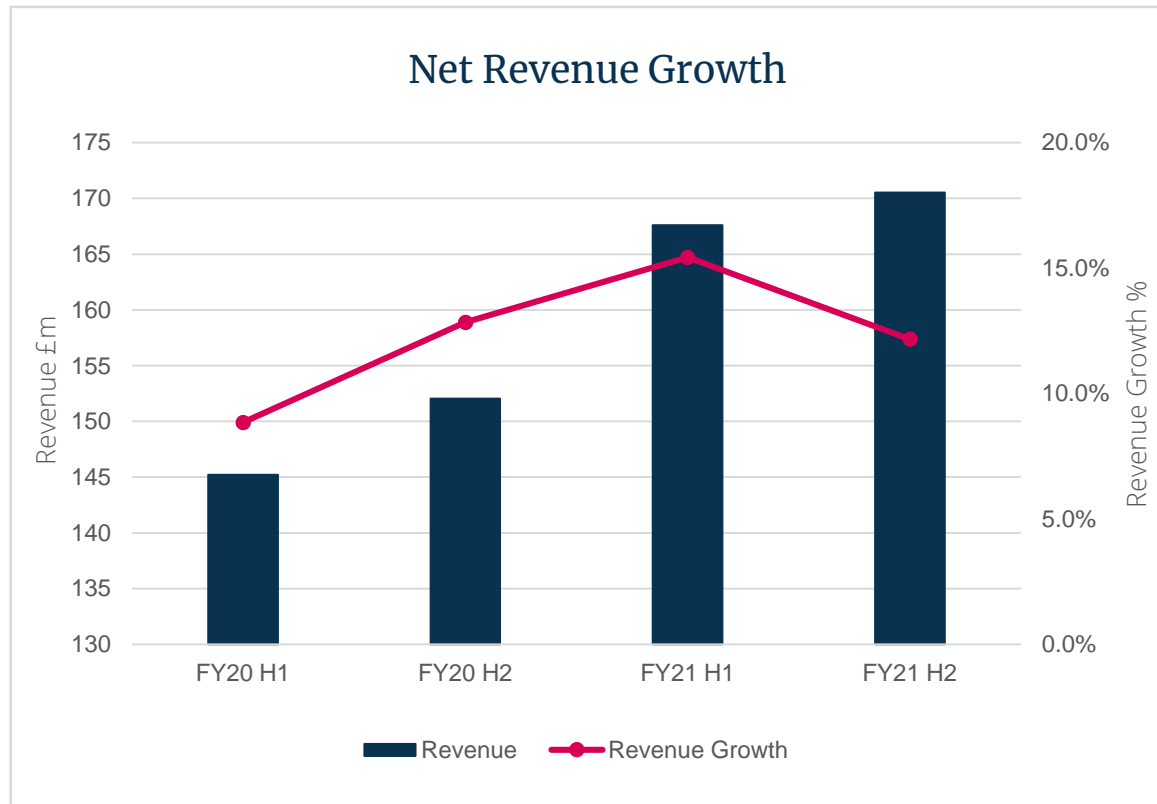
# Divisional performance

	Insurance	Commercial Services	Connected Services	International	Managed Services	Group
<b>Net Revenue</b>	<b>£103.9m</b>	<b>£110.7</b>	<b>£25.3m</b>	<b>£85.3m</b>	<b>£13.0m</b>	<b>£338.1m</b>
<i>Organic growth rate</i>	+3.3%	+2.9%	+21.5%	+32.5%	+228.2%	+13.8%
	+3.3%	+2.9%	+21.5%	+13.0%	+163.1%	+7.6%
<b>Gross Profit</b>	<b>£52.3m</b>	<b>£64.4m</b>	<b>£10.9m</b>	<b>£36.2m</b>	<b>£7.9m</b>	<b>£171.8m</b>
	+8.5%	+8.7%	+62.2%	+41.1%	+239.5%	+20.8%
<b>Gross Margin</b>	<b>50.4%</b>	<b>58.2%</b>	<b>43.1%</b>	<b>42.5%</b>	<b>60.5%</b>	<b>50.8%</b>
	+2.4ppts	+3.1ppts	+10.8ppts	+2.6ppts	+2.0ppts	+2.9ppts

# Under our new operating model\*

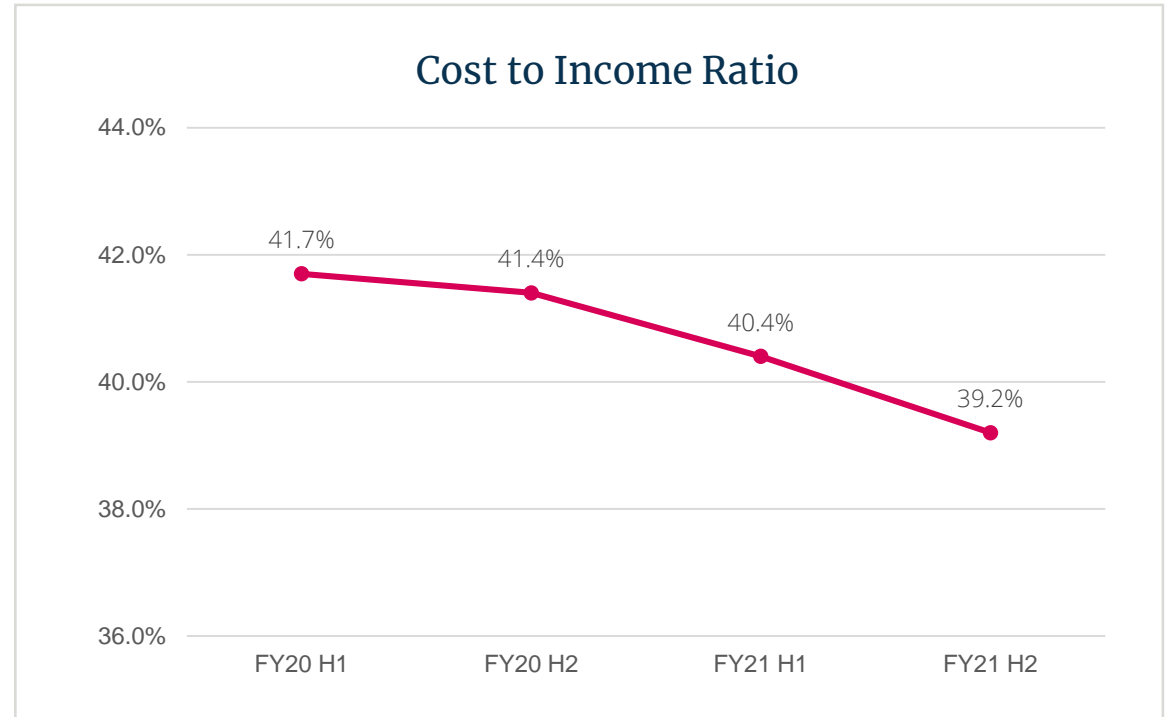
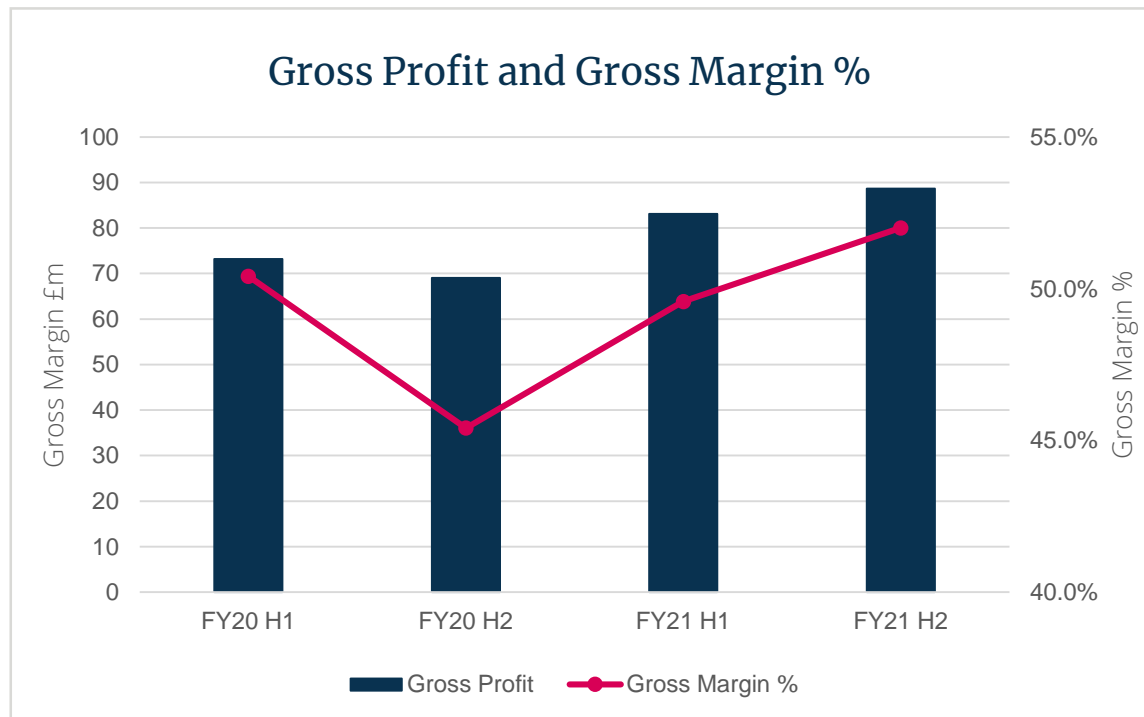
	Legal Advisory	Connected Services	Mindcrest	Group
<b>Net Revenue</b>	<b>£285.3m</b>	<b>£28.4m</b>	<b>£24.4m</b>	<b>£338.1m</b>
<i>Proportion of net revenue</i>	<i>84.4%</i>	<i>8.4%</i>	<i>7.2%</i>	<i>100%</i>
<b>Gross Profit</b>	<b>£147.8m</b>	<b>£12.2m</b>	<b>£11.8m</b>	<b>£171.8m</b>
<b>Gross Margin</b>	<b>51.8%</b>	<b>42.9%</b>	<b>48.2%</b>	<b>50.8%</b>

# Net revenue growth

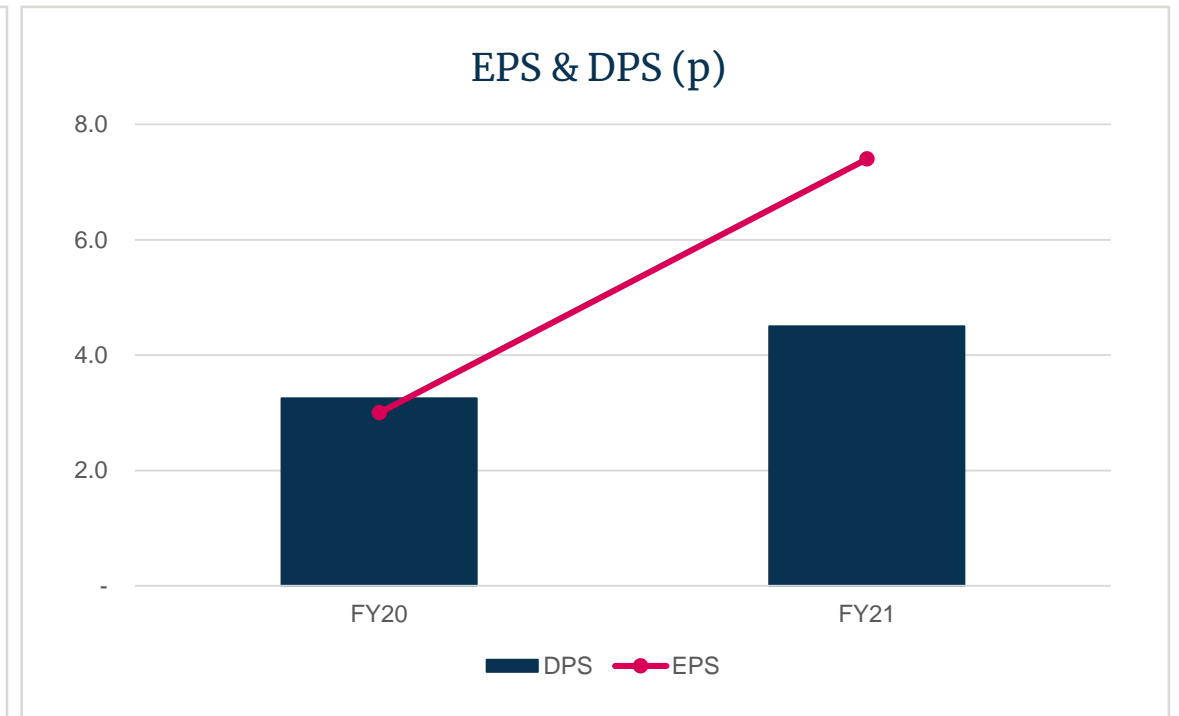
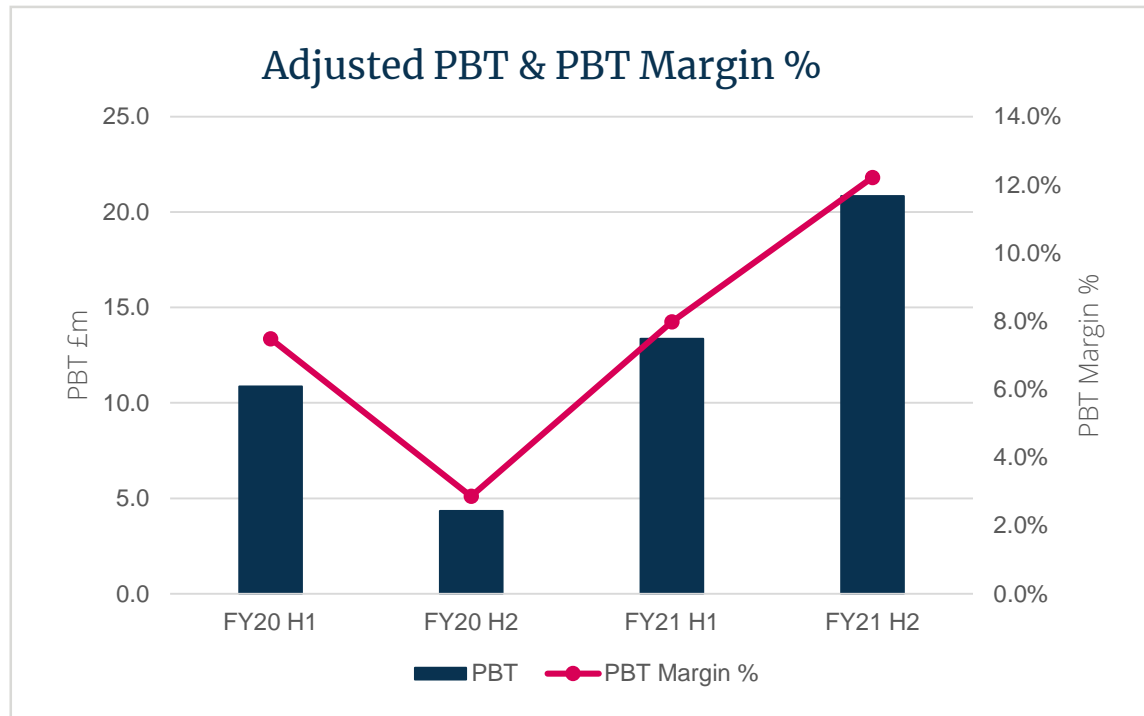


1. 14% YOY net revenue growth
2. Growth aided by FY set of results from DWF Spain and Mindcrest.
3. 8% Organic growth achieved with good performance in all divisions
4. Growth achieved despite the scale back of operations in Australia & Dubai as well as closure of Singapore and Brussels

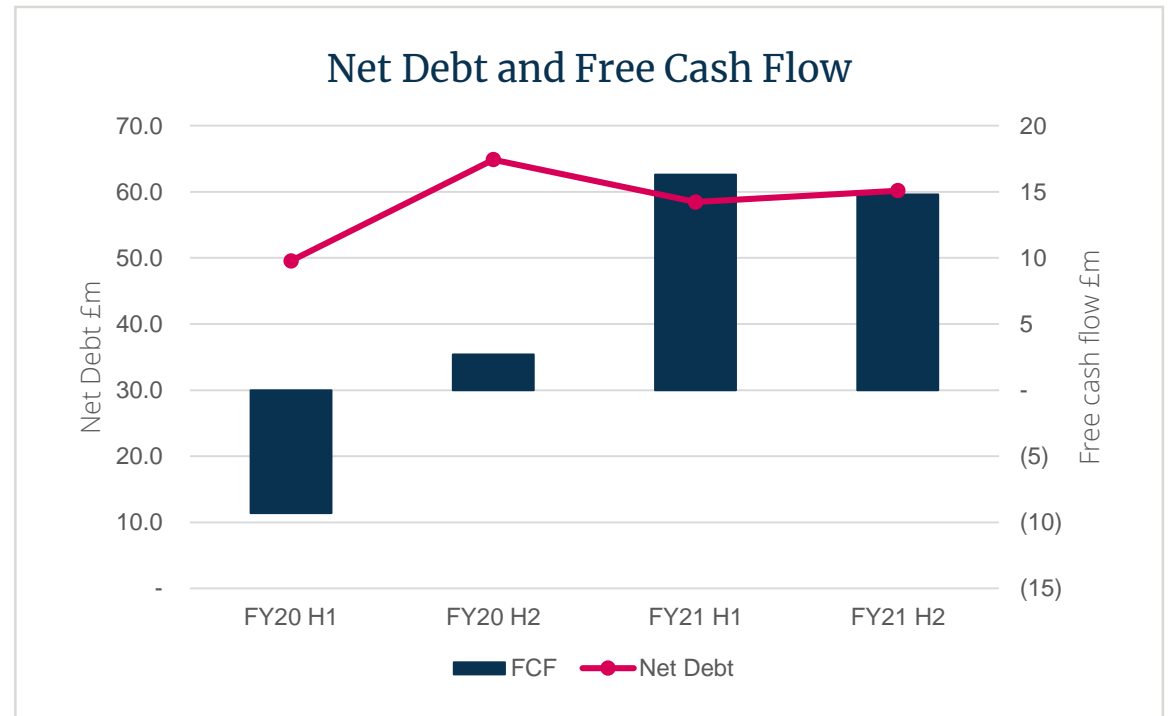
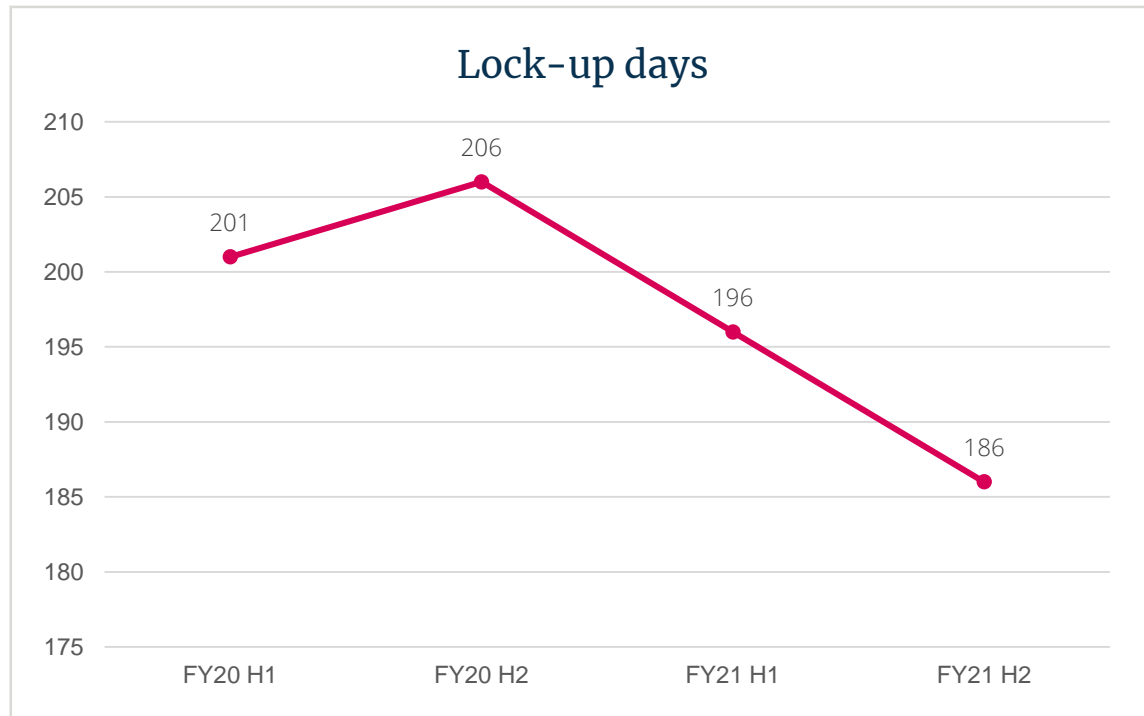
# Gross Margin and Cost to Income



# Adjusted PBT, Adjusted Diluted EPS and DPS



# Lock-up, net debt and free cash flow





# Capital management framework

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## Dividends

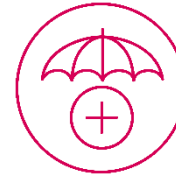
- Progressive policy
- Target pay-out of up to 70% of adjusted profit after tax
- Interim Feb/March, final October
- Interim target 1/3rd of PY full year dividend



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## Borrowings/Leverage

- Target to operate between 0.5 and 1x pre-IFRS 16 EBITDA



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## M&A

- Deployment of capital to support and accelerate our stated organic growth strategy
- Bolt-ons financed through own resources

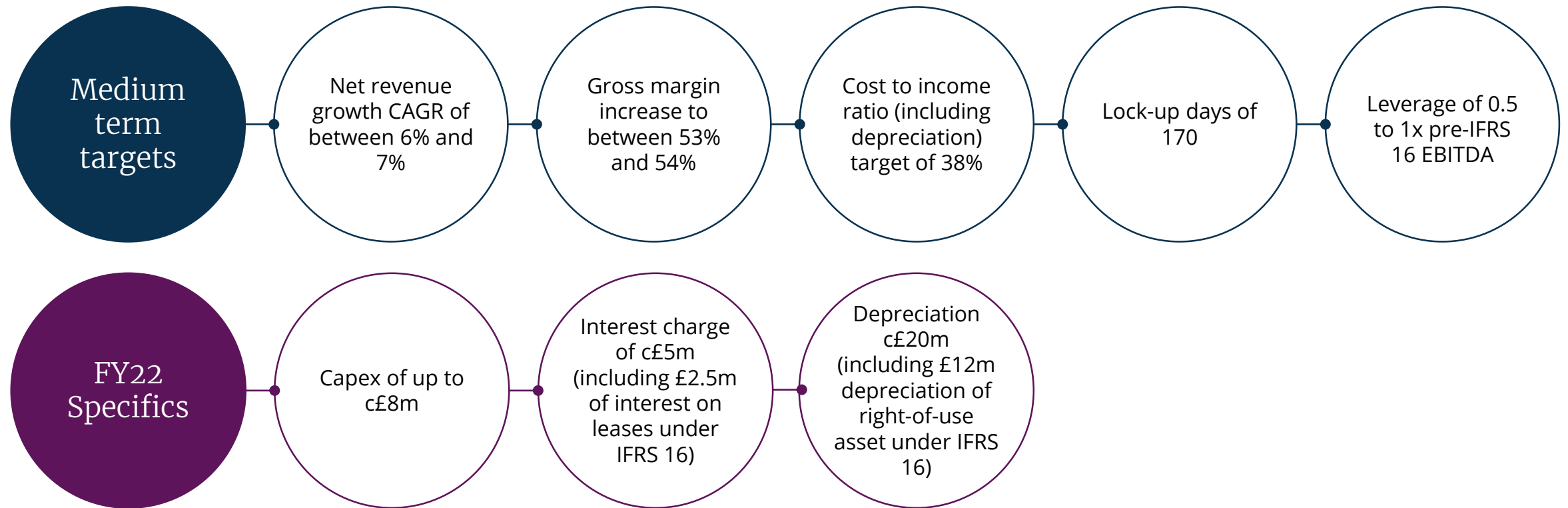


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## Capital Expenditure

- Up to £8m per year
- Focus on strategic projects (eg scale-up of Mindcrest operations), IT systems and infrastructure, and enabling future ways of working

# Guidance



Guidance is organic base case only, no M&A assumed

# Summary

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## FY21 was a strong performance despite the restructuring of a number of locations

Strong recovery year following on from FY20, which was impacted by Covid. Current trading in FY22 shows a continuation of the positive trends.



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1. Strong activity levels supported **8% organic growth**, with acquisitions performing well to deliver **14% overall net revenue growth**



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2. Gross margin **increased** and on an upward trajectory, **cost to income ratio also improving**



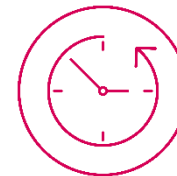
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3. Revenue development, direct cost savings and cost to income ratio are driving an **improving PBT margin contribution**



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4. Lockup days **reducing, driving free cash flow**, and moving into benchmark range.



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5. Net debt is **reducing** with strong cash collections and despite the deferred consideration outflows in the year, assisted by remaining COVID-19 deferrals



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6. EPS increased by **147% to 7.4p**, with full year **DPS of 4.5p**



# Strategic update

Matthew Doughty

# Strategy for growth

## Client programmes

- Stratified client programmes (Key, Accelerate, Tomorrow) focusing on the Integrated Legal Management (ILM) opportunity
- Key Account client successes demonstrate the opportunity: >90% ILM fees; all serviced in >1 practice group; 75% in >1 jurisdiction vs. 22% of all clients (35% of total fees) receive ILM and 78% are serviced in only 1 jurisdiction
- Recent client wins include Allianz, LV= and The Metropolitan Police, with recent litigation including the high-profile SKAT case and BA's data breach dispute

## People

- Attracting high quality talent, with 12 new partner hires already in FY22
- Record newly-qualified retention rate at 94% in the UK
- Group Bonus Plan supports one team culture aligned with strategy
- Launch of DWF Life to embed Purpose and culture
- Anticipated growth in Pune, India, with 1,000 seat facility

## Associations



- Two key associations announced in April
- Two-way flow of referrals already strong
- Association strategy review has identified additional target markets for expansion in FY22 and beyond

## M&A



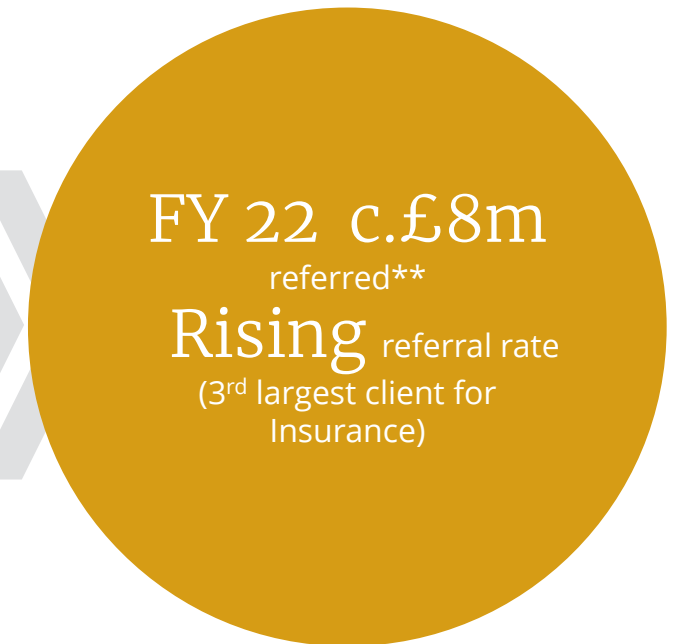
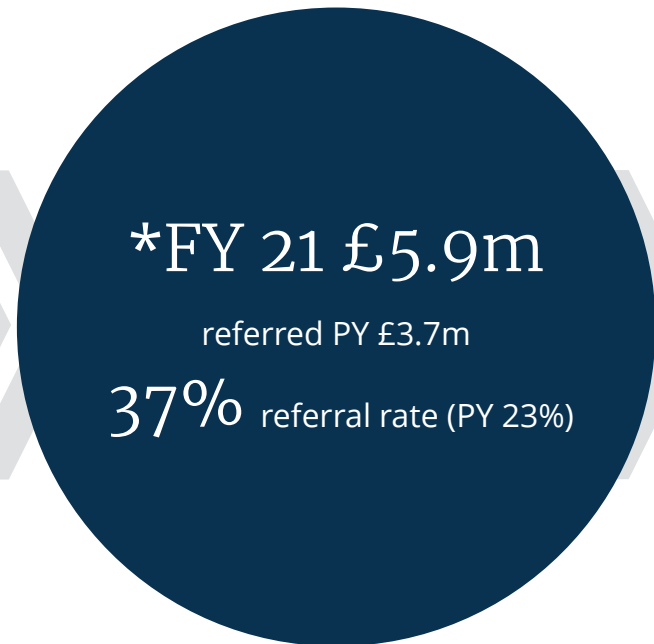
- Return to M&A with recent Connected bolt-ons
- Integration success evidenced by DWF-RCD and Mindcrest performance
- Anticipate further M&A within FY22

# Integrated Legal Management

Connected Services



Legal Advisory



Collaboration

Client sharing

Increasing revenue capture

# Integrated Legal Management





# ESG – a responsible business

## Our purpose

Our purpose is to deliver positive outcomes with our colleagues, clients and communities.

## DWF – leading ESG credentials



### Environment

- Committed to set science-based targets
- Managing carbon emission aligned to 1.5c pathway
- Participant in UN's SDG Ambition
- ISO14001 accredited



### Social

- Published our new D&I Strategy
- 5 STAR Futures programme advances social mobility
- £200,000+ donated through DWF Foundation
- Well-placed in key rankings

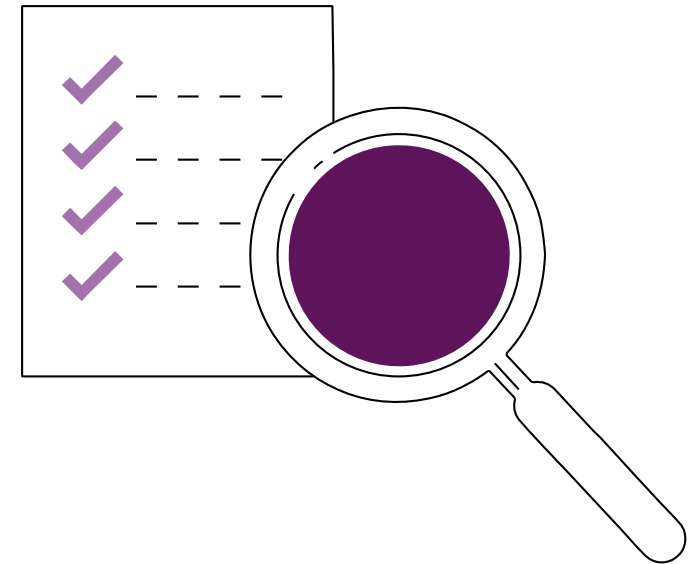


### Governance

- All Executive Directors have ESG objectives linked to bonus
- 30%+ female representation on PLC and Executive Boards
- 20% workforce representation on PLC Board

## What's to come

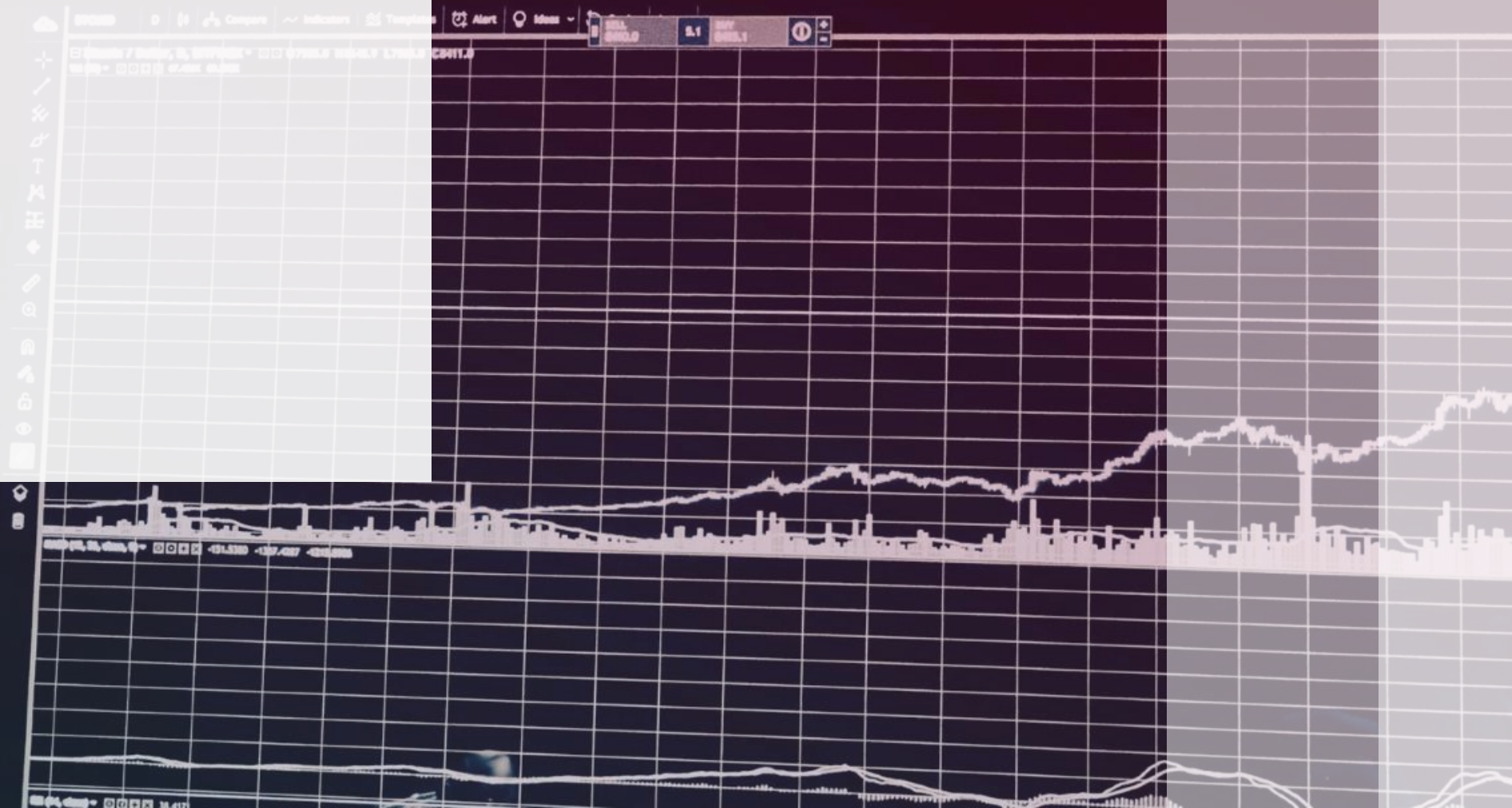
Group ESG Strategy to be published in autumn 2021 following stakeholder engagement and materiality assessment





# Summary

Sir Nigel Knowles



# Summary



A photograph of a glass of water on a table, with a pen and a notepad in the foreground. The background is blurred, showing what appears to be a window or a wall. The text 'Q&A' is overlaid on the left side of the image.

Q&A

# Appendices

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# Income statement

Income Statement £m	FY21	FY20	Variance	%
Revenue	338.1	297.2	40.9	13.8%
Direct costs	(166.3)	(155.0)	(11.4)	(7.3%)
<b>Gross profit</b>	<b>171.8</b>	<b>142.2</b>	<b>29.5</b>	<b>20.8%</b>
Gross margin	50.8%	47.9%	3.0%	
Administration expenses	(197.4)	(120.1)	(77.3)	(64.4%)
<b>Operating (loss)/profit</b>	<b>(25.6)</b>	<b>22.2</b>	<b>(47.8)</b>	<b>(215.7%)</b>
Interest payable	(5.0)	(4.0)	(1.0)	(25.7%)
<b>(Loss)/profit before tax</b>	<b>(30.6)</b>	<b>18.2</b>	<b>(48.8)</b>	<b>(268.2%)</b>
Tax	(4.6)	(3.6)	(0.9)	-25.8%
<b>(Loss)/profit after tax</b>	<b>(35.2)</b>	<b>14.6</b>	<b>(49.7)</b>	<b>(341.4%)</b>
<i>Adjusted profit before tax</i>	<i>34.2</i>	<i>15.2</i>	<i>19.0</i>	<i>124.8%</i>

Revenue per partner (RPP) £m	Revenue	Average Partners	RPP
Insurance	103.9	79.4	1.3
Commercial	110.7	125.4	0.9
Connected	25.3	18.9	1.3
International	85.3	135.2	0.6
Managed Services	13.0	1.5	8.7
Other		5.7	
<b>Total</b>	<b>338.1</b>	<b>366.1</b>	<b>0.9</b>
Variance to PY	13.8%	-3.4%	17.8%

Administration Expenses £m	FY21	FY20	Variance	%
Underlying administration expenses	(113.6)	(108.8)	(4.8)	(4.4%)
Amortisation of acquired intangibles	(4.6)	(1.5)	(3.1)	(205.2%)
Impairment	(4.6)	(0.4)	(4.2)	(1102.9%)
Gain on bargain purchase	-	25.1	(25.1)	(100.0%)
Non-underlying items	(27.1)	(7.6)	(19.5)	(255.1%)
Share based payments expense	(28.5)	(12.6)	(15.9)	(126.8%)
Depreciation	(19.0)	(17.8)	(1.2)	(6.8%)
Impact of transition to IFRS	0	3.5	(3.5)	100.0%
<b>Total</b>	<b>(197.4)</b>	<b>(120.1)</b>	<b>(77.3)</b>	<b>(64.4%)</b>
Underlying administration expenses and depreciation	(132.6)	(126.6)	(6.0)	(4.8%)
<i>Cost to Income ratio</i>	<i>39.2%</i>	<i>42.6%</i>	<i>(3.4)</i>	

Bridge between statutory and adjusted (loss) / profit before tax £m	FY21	FY20
<b>(Loss) / profit before tax ('PBT')</b>	<b>(30,600)</b>	<b>18,198</b>
Amortisation of intangible assets - acquired	4,609	1,510
Impairment	4,595	382
Gain on bargain purchase	-	(25,084)
Non-underlying items	27,101	7,632
Share based payments expense	28,510	12,570
Gain on investment	(23)	-
<b>Adjusted PBT</b>	<b>34,192</b>	<b>15,208</b>

# Divisional performance\*

Insurance	FY21	FY20	Variance	%
Revenue	103.9	100.6	3.3	3.3%
Direct Costs	(51.6)	(52.3)	0.8	(1.5%)
Gross Profit	52.3	48.2	4.1	8.5%
Gross Margin	50.4%	48.0%	2.4%	
Organic revenue growth				3.3%

International	FY21	FY20	Variance	%
Revenue	85.3	64.3	20.9	32.5%
Direct Costs	(49.0)	(38.6)	(10.4)	26.8%
Gross Profit	36.2	25.7	10.6	41.1%
Gross Margin	42.5%	39.9%	2.6%	
Organic revenue growth				13.0%

Commercial	FY21	FY20	Variance	%
Revenue	110.7	107.5	3.2	2.9%
Direct Costs	(46.2)	(48.2)	2.0	(4.1%)
Gross Profit	64.4	59.3	5.2	8.7%
Gross Margin	58.2%	55.1%	3.1%	
Organic revenue growth				2.9%

Connected	FY21	FY20	Variance	%
Revenue	25.3	20.9	4.5	21.5%
Direct Costs	(14.4)	(14.1)	(0.3)	2.0%
Gross Profit	10.9	6.7	4.2	62.2%
Gross Margin	43.1%	32.3%	10.8%	
Organic revenue growth				21.5%

Managed Services	FY21	FY20	Variance	%
Revenue	13.0	4.0	9.0	228.2%
Direct Costs	(5.1)	(1.6)	(3.5)	212.2%
Gross Profit	7.9	2.3	5.5	239.5%
Gross Margin	60.5%	58.5%	2.0%	
Organic revenue growth				163.1%



# Bridge from old to new operating model

	As reported for the year ended 30 April 2021 £'000	Impact of restructure £'000	As reported under new global operating structure effective 1 May 2021 £'000
<b>Segment net revenue</b>			
Legal Advisory	-	285,326	285,326
Commercial Services	110,667	(110,667)	-
Insurance Services	103,884	(103,884)	-
International	85,255	(85,255)	-
Connected Services	25,338	3,085	28,423
Mindcrest (FY21: Managed Services)	12,986	11,395	24,381
<b>Net revenue</b>	<b>338,130</b>	<b>-</b>	<b>338,130</b>
<b>Segment direct cost</b>			
Legal Advisory	-	(137,487)	(137,487)
Commercial Services	(46,245)	46,245	-
Insurance Services	(51,560)	51,560	-
International	(49,012)	49,012	-
Connected Services	(14,406)	(1,819)	(16,225)
Mindcrest (FY21: Managed Services)	(5,126)	(7,511)	(12,637)
<b>Direct cost</b>	<b>(166,349)</b>	<b>-</b>	<b>(166,349)</b>
<b>Segment gross profit</b>			
Legal Advisory	-	147,839	147,839
Commercial Services	64,422	(64,422)	-
Insurance Services	52,324	(52,324)	-
International	36,243	(36,243)	-
Connected Services	10,932	1,266	12,198
Mindcrest (FY21: Managed Services)	7,860	3,884	11,744
<b>Gross profit</b>	<b>171,781</b>	<b>-</b>	<b>171,781</b>

# Free Cash flow

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Free cash flow £m	FY21	FY20	Variance	%
Operating cash flows before movements in working capital	56.7	32.3	24.4	75.6%
Net working capital movement	12.8	(5.3)	18.2	339.9%
Amounts due to members of partnerships in the Group	(4.1)	(4.8)	0.6	13.1%
<b>Cash generated from operations before adjusting items</b>	<b>65.4</b>	<b>22.2</b>	<b>43.2</b>	<b>194.7%</b>
Net interest paid	(5.1)	(4.2)	(0.9)	(20.8%)
Tax paid	(3.2)	(4.3)	1.2	26.8%
Repayment of lease liabilities	(14.2)	(12.7)	(1.5)	(12.1%)
Purchase of property, plant and equipment	(6.0)	(3.5)	(2.5)	(70.7%)
Purchase of other intangible assets	(4.8)	(4.1)	(0.7)	(17.6%)
<b>Free cash flows</b>	<b>32.1</b>	<b>(6.6)</b>	<b>38.7</b>	<b>586.1%</b>





DWF is a leading global provider of integrated legal and business services.

Our Integrated Legal Management approach delivers greater efficiency, price certainty and transparency for our clients.

We deliver integrated legal and business services on a global scale through our three offerings; Legal Advisory, Mindcrest and Connected Services, across our eight key sectors. We seamlessly combine any number of our services to deliver bespoke solutions for our diverse clients.

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