Company: **DWF Group EVENT**

Conference Title: **DWF Law - Preliminary Full Year Results Announcement**

Date: **Thursday, 21 July 2022**

Conference Time: **09:00 UTC**

Nigel Knowles: Good morning and welcome to Full-Year 2022 Results. I was going to say a warm welcome but that's pretty obvious, isn't it? This week, we've got a four-part presentation for you. This morning, I'll give an introduction before handing on to Chris Stefani, our CFO, who will give a financial review. And then Matt and Chris are going to give a strategic update, and I'll finish off with the summary. There will be opportunities for questions, we'll provide the answers. We hope that our presentation will take slightly over 30 minutes. This is allocated for an hour; so hopefully, we will be able to deal with all the questions that you - that come to mind. So that will be how we'd like to proceed this morning. If we can just move on to the introduction slide. The next one I want to kick off with just a few comments.

The first is just to remind you all, we are unique. We are the only premium list, main market legal business and that does have advantages. And we've talked to you about these advantages many times. First of all, it allows us to raise money to optimize the performance of our business, and to make acquisitions. And we've made acquisitions in our legal business, in Mindcrest, our managed services business, and our connected services business. And that makes us unique. There aren't, I do not believe, any other legal businesses that could make those sorts of acquisitions. And it also allows us to spread ownership wider than the traditional LLP model.

And I think we've also mentioned to you in the past, that includes, for example, allocating share options to trainees who qualified last September. Which means that in terms of the war for talent, it gives us a slight edge, it makes us different, it gives them ownership, it gives them an identity with the firm that they wouldn't ordinarily get with a traditional LLP model where you can work very hard for ten or 15 years and still not get partnership or equity partnership. So we are very pleased that we are listed. We are unique. You can't - you rarely can call yourself unique but on this occasion, we can. And I think we benefit from that and we've had a record year and we're very pleased about that. We are slightly ahead of consensus, notwithstanding some COVID headwinds.

You will remember, I'm sure that in late January and February and the beginning of March, we saw a sharp spike in COVID infections. And that did inevitably have an impact in terms of revenue because very often people are absolutely exhausted and can't work for two or three or four days when they get COVID and you can't really see any revenue coming out of them for that period. They're just getting back to where they were. So there were headwinds, but notwithstanding that, we were slightly ahead of consensus and we're very pleased about that. We're very pleased with these record results.

And the facts are clear. PBT is up more than 20%, EPS up more than 40%, very significant. Like for like organic growth, an increase of 7%. Improved cost-to-income ratio, continued improvement in lockup days, a progressive dividend, and in addition to that, we've got a very promising M&A pipeline. We mentioned a year ago that we were turning the clock back on in relation to M&A. We've been working very hard. We announced two relatively small acquisitions in the connected services space in the early part of the last financial year. But I'm certain that we'll be seeing some interesting M&A activity in the course of the next 12 months.

We are also very pleased to report that the integrated legal management approach, the fact that we have an integrated legal management structure, the fact that we are global, is appealing to our clients who get it, like it, and are using it. We've secured lots of great work from new and existing clients over the last 12 months including through our appointment or reappointment to 32 legal panels, including the UK Government Crown Commercial Services Panel, which was a real win for us. And these panel wins, I mean, even if you get back on to a panel, very often it's a panel where the number of law firms on it have been reduced.

And of course, when you get onto a panel for the first time, it gives you a lot of opportunities to promote yourself, our partners, and our services across a wider range of services for the client, both in terms of the range of services and geographic reach. So we are very pleased with our performance. Now I think that is enough from me by way of introduction and what I'm now going to do is to hand onto Chris Stefani, our CFO, who will take you through his financial deck. Chris, over to you.

Chris Stefani: Thank you very much, Nigel, and good morning, everybody. Great to be talking to you about our latest set of results. The slide that you can see in front of you just shows you our key performance indicators for the year ended April 2022 and you can see the tagline there. We believe our strategy is delivering profitable growth and sustainable profitable growth at that. And we're allowing ourselves to say it is record-adjusted PBT, and in a growing business, you might say we should always be setting a new record, that is probably true. Last year we transformed the business, this year is a record, and we will build from here. But for now, let's just talk about what we've achieved in the year.

Just walking around the page, as usual, net revenue growth reported at 4%, but on a like-for-like basis, a proxy for organic, 7%. Now, that like for like is because we scaled back Australian operations in the prior year and we've stripped that out to the prior year comparator and also stripped out the small amount of acquisition revenue. To give you a sense of the real underlying growth in the business, our view is that the market is growing by about 5%, so we're ahead of the market. We're not seeing the sort of peaks that you might see from some of the more transactional weighted legal businesses. And that's fine.

The whole point that we make, and you'll hear this a few times in this presentation, we have defensive revenues, we have recurring insurance revenues, that tends to - that bit of the business tends to grow more slowly but it's more stable and reliable and recurring and predictable. So whilst you don't necessarily see the peaks from transactional activity nor do you see the troughs in our business model, and that's something that we think really bodes well for the forward-looking guidance period. Revenue per partner, which is always a proxy for efficiency of partner deployment and a bellwether for gross margin development, you can see that up by 6%.

We tend to look for that to be closely aligned to our like for like growth rate and that's exactly what we've achieved in the year just ended. That played through to a gross margin that's come up by almost a full percentage point, and there's probably three main drivers for that. One is that we have stripped out in the last couple of years unprofitable operations. So the blow-through effect of not carrying that cost which was not margin generative is reflected in that number. As is the beginnings of a pricing push, we believe that there is scope for us to push our rates. We haven't made any meaningful rate rises in the past few years and, obviously, in this inflationary environment some of the additional costs in the business do need to be passed on. We're working on that.

And then there's just the maturity curve. You'll see some of our nascent businesses and smaller businesses such as the Connected portfolio growing fast but also coming out of build mode and generating an enhanced margin. The other side of the P&L is our cost-to-income ratio that has come down to 38.4%. So again, almost a percentage point reduction. You'll note later that our medium-term guidance issued last year was for a 38% target, with a 38.4, so we're almost at our medium-term guidance there. Three things, again, that probably underpin that. One, increasing scalability in our overhead base. You probably see the beginnings of our property strategy coming through in cost savings. And we'll talk a bit more about that later. And yeah, we're very pleased with that result which has driven the next number that you see, which is our adjusted profit before tax. We've achieved £41.4 million which is a 21% uplift on the prior year and a touch ahead of market expectations.

That plays through into what we think is a fairly blockbuster statistic on EPS, a 45% uplift to 10.7p, helped a little bit by the tax treatment of our previous office closures. But nevertheless, a fantastic result. On the balance sheet side of things, lock up has come down by five days. So this is the measure of how efficiently we bill and collect cash. Our medium-term guidance, again, issued last year, is 170 days and it's five days towards that so right on track with where we'd expect it to be. This then plays through to leverage. Normally we have net debt on this slide. Net debt is about £11 million, up on the prior year of that because of the paydown of COVID deferrals and some other restructuring costs.

The fact that we've held leverage broadly flat and getting close to what we've guided to, we're very comfortable with where we sit here, but we're going to talk more about leverage than net debt in absolute terms going forward because it is a number that has a margin of error because of the extent of daily cash collections. But the point is leverage is coming down. So overall, very pleased with those KPIs. We've therefore approved the dividend of 4.75p in total for the year, which is a 3.25p final dividend, a slight uplift on the prior year. So progressive in absolute terms, it is a reduction in the payout ratio. That's very deliberate. Balancing the payout ratio versus maintaining our guidance on leverage. But also we've mentioned in our release that we want to retain some of that cash for near-term investment opportunities.

If we could go to the next slide, please. We can see the divisional performance split. So we've got a three-division structure, legal advisory, Connected, and Mindcrest. You'll see that legal advisory is our largest. This set of graphs help you see the relative scale of the businesses and legal advisory group, a 7% like for like, 2% reported. Connected grew by 10% like for like so really strong organic performance there, and 19% overall growth because of the M&A that we effected in the beginning of the year. You see also Mindcrest flat due to slower pipeline conversion due to COVID. We expect that business to perform in growth terms more strongly in the year ahead particularly looking at the kind of second half final quarter exit growth rate.

The other important point here is that all three divisions have shown gross profit increases and gross profit margin increases, so a consistent theme across all three divisions. The largest division, legal advisory going from 51.8% to 52.5%, Connected going from 42.9% to 44.4%, and then

Mindcrest 48.2% to 51.8%. So very pleased to see that profit uplift consistently across all three divisions. Go onto the next slide, please. These graphs, if you've watched our previous presentations are tried and tested, they now feature six reporting periods. These are the six-monthly reporting cycles. And the most important point is really if you step back and squint at these, look at the line of best fit, so revenue growing consistently. There's two lines in that graph, one is the reported growth and the other is the like for like.

Now, that like-for-like is the blue line and you can see that we're growing nicely organically on a like-for-like basis after the dip due to COVID. So very happy with that organic performance and clearly, the earlier years bolstered by some of the larger M&A that we did pre-COVID. Gross profit margin, again, consistently increasing gross profit contribution in £ value terms but also driving gross margin improvement after the debt that we saw in COVID, which is now very much in the rear-view mirror. Cost to income ratio, a very pleasing line of best fit there, it's not even the best fit, it's just a trend that is very consistently downwards. And as I said earlier, almost in line with our medium-term guidance.

And then lastly, all of that combines to give you the adjusted PBT and adjusted PBT margin performance that you see on that final graph. So the trajectory going from a 5% net margin in FY20 to 10% in FY21 to almost 12% in FY22 and clearly on an increasing trajectory. If we go to the next slide, please, you can see how our balance sheet has developed. So over those six reporting periods, net debt has actually stayed within a very narrow range, peaking in H1 of FY22 as the peak of the COVID deferral paydown and then beginning to drift down in the second half of the year.

You can see on the bottom-left just how that plays out on balance sheet deferrals, which at one point were at £30 million in FY21, and one now down to 800,000. So very strong balance sheet position as we go into FY23. And the top rate, you can see how leverage is trending. So again, line of best fit there is resolutely downwards, albeit we don't want to get to the point where leverage is actually too low because we see borrowings is still an efficient way to fund the business. Until interest rates move materially, we will still, I think, maintain that view. And then lastly, on the bottom right are lock up days, this is the self-help of the balance sheet. They peaked it 206 days and they're now at 179 nine days with guidance to 170. So making good progress and continued and consistent progress on that.

Next slide, please. This just shows you the cash flow trends and a bit about liquidity. So you can see that the left-hand side of the page just tracks through from prior year net debt to current year net debt, strong cash flow generated from operations of £42 million. You see we've utilized that from the point of view of CapEx, dividend, and so on, leaving cash before non-recurring outflows of £11.7. And then you can see those non-recurrings that I've mentioned that featured on that graph on the previous page. A few other points to note, whilst free cash flow may look lower this year than the prior year, you've got to remember that we've paid down the prior year's COVID VAT deferral, so if you normalize that, you have far more equalized position.

The other important point is that we have recently effected a refinancing of the business. In January of this year, we signed a new deal with a four-bank syndicate, with two banks new to the syndicate, and for £100 million on a three plus one plus one basis with a more favorable covenant position and our £20 million accordion. So very well placed from the point of view of liquidity. Finally, dividend policy, I've mentioned how we've been thinking about dividend this year. Given the near-term opportunities that we see, a slight scale back in our payout ratio. No change to our policy but clearly this year we've made a decision to moderate it slightly because of all the things we'd like to do with the cash.

So this is just a reminder of our existing guidance, no change to guidance, and certainly want to reiterate our confidence in the existing guidance. We are alive to the economic environment that we trade in but we mentioned that our revenues are defensive. We have recurring revenues.

Litigation tends to increase in harder times. Two-thirds of our business is litigation focused. We're not as exposed to transactional activity as other legal businesses and law firms.

We just traffic-lighted our guidance KPIs to show either where we've already met materially guidance, so you can see the cost-to-income ratio there in green and then amber where we're right on track. Given that we issued medium-term guidance last year and we're only one year into that medium-term period, you can see in bold the current year performance and also the prior year and what that shows you is growth right there in the range that we said, margin a percentage point of progress this year with more to come. Excuse me, cost to income ratio reducing almost to guidance position and good progress on lock-up and leverage.

The last one, so just a financial summary of what I've just talked about. It has been a record year, we've delivered further profitable growth and we've also strengthened our balance sheet again. And we just want to reiterate our confidence, therefore, in the outlook after a strong start to the current year and due to the defensive nature of our revenues. Excuse me, losing my voice, which seems to be customary when we're doing this presentation. So just a reminder of what we delivered. We've delivered strong year-on-year net revenue growth and like for like growth actually ahead of the market with increased gross margin and reduced cost-to-income ratio that plays through into an enhanced PBT by 21% and a 45% increase in EPS, lock-up days have been reduced. And aside from those organic KPIs, we see a strong pipeline of M&A ahead. And as for borrowings, net debt reduced since the half-year, and leverage was on a downward trajectory. That's it now. I'll hand it over to Matt and you'll hear from me a little bit later again on our property strategy.

Matt Doughty: Thanks, Chris. It's good to see you all today. For those who don't know me, I'm Matt Doughty, the COO here at DWF. I wanted to focus today on three areas which I think will be of interest. First, some details on the market in which we operate and why we're confident that we can continue to drive strong organic growth and meet or exceed our medium-term guidance.

Secondly, an update on some of the work we've been doing to attract and retain talent. And lastly, I wanted to talk a little bit about our hybrid working strategy and the opportunity that gives us in relation to our premises.

So firstly, in relation to the market opportunity, as you all know, our strategy is to provide integrated solutions to our clients' problems globally bringing to bear that combination of products and services from our three core offerings Legal Advisory, Mindcrest, and Connected Services in what we call an integrated legal management approach. We recently commissioned some market research from Thomson Reuters, which clearly shows how our strategy aligns to market trends and buyer behaviour. The global traditional legal market is about $750 billion and continues to grow, a theme which we expect to continue even in the current economic environment as the amount of disputes increase and the need for regulatory and compliance advice rises.

And as Chris has said, with about two-thirds of our business derived from litigation and regulatory work, we believe we're well placed to capitalise on this growth. Our growing network of associations helps us to explore new growth opportunities in emerging markets also. It's not only traditional law that's in demand but also a growing demand for legal tech and advice in relation to how best to implement the third-party legal tech. And we've got a specialist legal capability in Mindcrest that addresses this demand. And in addition, we focus on eight core sectors and three, in particular; insurance, financial services, and real estate, which will continue to be growth areas.

The so-called alternative legal services provider or ALSP markets is worth about $25 billion and so is a sizeable market in its own right and it's growing more rapidly than the traditional law market. The proliferation of third-party legal tech as well as the growth of our own proprietary solutions will certainly give us new opportunities. It's worth noting that the term Captive ALSP that appears here refers to ALSPs owned or embedded within law firms. But many of those are relatively small e-discovery businesses. I don't believe there's any other law firm that has acquired a tier one ranked independent ALSP like Mindcrest and that gives us a really unique point of differentiation.

Our strategy is to build a professional services organization borne out of the legal sector rather than the accounting sector. And to compete with the big four in our chosen verticals, something we're already doing in many instances across all three of our core offerings, legal advisory, Connected, and Mindcrest. So all of that gives us real confidence in the strategy and our ability to continue to drive organic growth. On the next slide, I just wanted to share with you some key facts around our client program and our progress in terms of client-related activity all of which, again, demonstrates our momentum in terms of driving organic growth this year and beyond.

We've got 500 clients which account for 80% of group income. At the moment we have a stratified client account programme which is yielding strong year-on-year growth, about 11% growth among the top 70 accounts in that programme. We've got a huge opportunity to generate similar levels of growth by applying the same methodology among the other 400-plus clients, building diverse account teams focused on those clients, promoting multiple service lines across multiple geographies. You also see that the number of clients from whom we derive more than £1 million in fee income each year has risen from 41 last year, and we have more than 80 clients using our integrated legal management approach, that is, clients for whom we provide services in at least two of our three divisions.

And those 80 clients represent in aggregate 45% of our fee income. That integrated approach has been a particular success in the insurance sector. Our connected services of claims management, and loss adjusting refer a material amount of revenue to our insurance litigators in legal advisory, generating more than £8 million in revenue in FY22 with more than £8 million of additional forward visibility, given the fees reserved on cases already referred. And finally, on here, our net promoter score is incredibly high. A third-party provider who conducts our client listening survey tells us that our previous score 12 months ago of 49 was very strong and that 63 this year, based on an increased respondent base across more geographies, is excellent.

One additional data point from that survey is that the provider tells us that we score very highly for value for money, something, which has given us confidence that we can successfully implement rate increases with most of our clients, something that we have recently implemented and which will help offset cost increases this year elsewhere. So as I've said, all of this gives us great momentum in terms of driving organic growth this year and beyond. On the next slide. Just moving on to some of the key updates in relation to colleagues and our people strategy.

As you know, we conduct Global Pulse surveys twice a year and the latest results in May were very encouraging given the difficult macro environment that we've all seen in recent months. Although scores in the survey remained static or increased, I was pleased that the key engagement index score remained the same in the context of that environment and an increased respondent base. Also, we introduced a new question to test the sentiment among colleagues to our hybrid working model and that produced a strong favourable score.

On the next slide, we have worked hard over the last few months to articulate a clear value proposition to colleagues and potential new recruits that defines our purpose and our vision, articulates our ESG strategy, and how central that is to our culture, and highlights our points of differentiation as the only global Main-market listed business in the sector. This colleague proposition is branded DWF Life and we believe that it's an important tool in attracting and retaining talent. Whilst we don't compete for talent with the magic circle and the larger US firms, we have seen wage pressure, of course, and also some increase in attrition although our attrition rate of partner and associate levels are in line with listed peers.

Some of the recent steps we've taken to enhance DWF Life include a pay review in January, which was one of the most comprehensive we've undertaken with about a five and a half percent increase in legal advisory, with a further material increase already budgeted for this year, all of which was planned when we published our medium-term guidance. We continue to use our listed equity to enhance our reward offering, as Nigel has already mentioned, using share rewards for promotions for new hires and to supplement performance bonuses where appropriate.

We're also making great progress towards operationalizing our ESG strategy announced in December. Our stretching carbon emission targets have now been validated by SBTI. We'll be publishing our first standalone sustainability report alongside our annual report and accounts this year, and we're in the process of selecting decarbonization projects to ensure we achieve net zero by 2030. We've also recently materially enhanced a range of family-friendly policies such as maternity and paternity pay, which puts us among the market leaders in the UK and emphasizes our commitment to our D&I strategy.

Wellbeing has not surprisingly been a key area of focus and we continue to look at ways we can enhance the support we offer to colleagues. One key element of that is our focus on our future workplace strategy. We have a hybrid working strategy, which, as I've already mentioned, has been well received. And we've invested in a range of equipment and services to support colleagues working remotely. This presents a significant opportunity, I think, in relation to our premises.

On the next slide in relation to our premises strategy, all of our colleagues in all the surveys we've done and all the colleague engagement that we've done, the indication is that in the UK, colleagues don't anticipate working from the office more than two to three days a week. We believe that that's going to give us at least a third of our current space which is surplus to requirements. And by reducing our footprint in each location when the opportunity arises we'll not only save material costs and reduce our carbon footprint but we think we've got a great opportunity to fit out each office in a more modern way, enhancing colleague wellbeing and using it as an attraction and retention tool for talent as well as aiding productivity.

I'm going to hand on to Chris now. He's going to talk to you in a bit more detail about the savings we've already made and some of our assumptions relating to future cost savings. Chris.

Chris Stefani: Thanks, Matt. Basically, the premises strategy is about less space but higher quality. So the office is still incredibly important to us and to our culture. Doesn't mean people have to be here five days a week, though, and the spaces that we do give people to occupy need to be fit for future ways of working that we're seeing post-COVID. And that means hybrid spaces, collaboration spaces, spaces that are appealing to go to, and also focus on wellbeing. We think that actually will enhance our proposition from attraction and retention of talent. And also, and you may not believe this from an accountant, but those benefits are incredibly important to us and tangible, but the costs are compelling as well.

As Matt said, a third of our space is addressable and we are working on securing those savings and the way we think about it is we've got a pre-COVID footprint. Actually, since then we've already made some office scale-backs and closures which was not so much about COVID but just about right-sizing the business and dealing with underperforming businesses or businesses where we didn't actually think the location was strategically aligned. You've then got further near-term live opportunities that we're working on as we speak. And then there is the slightly further ahead but very much identified on a building by building basis, future opportunities.

So over the medium term, you can see in this graph how we see potentially our cost run rate developing. So this is the annualized run rate that you see in this graph. And we've said £7 million annualized is a ceiling that we believe is credibly in sight. This is not a guidance; I think the way to think about this at the moment is how much it underpins what we've said around profit development over the medium term. So we're very pleased to have this opportunity and the fact that it is actually also congruent with our broader strategy and our people strategy makes it something that's very high on the priority list.

That's probably all I want to say on that. And I'll hand back to - actually no, one more slide, please. Just by way of example, this slide shows you a mock-up of how our Edinburgh office is going to look like that is proof of concept for us in delivering to our people better, higher quality, more collaborative spaces. And so we're pretty excited about this and hope that over the next few years our whole portfolio will look something similar to this. That's it now on the premises strategy and handing over to Nigel now.

Nigel Knowles: Thank you, Chris. We spent quite a bit of time looking at offices of other similar businesses and see how they have moved on in their thought process and design as to the fit out of offices. And there is no way that - there is no doubt that what you're looking at on the screen now is the way to go and we'll be heading in that direction. It's entirely accurate to say we haven't any offices that look like that at the moment but we'll be moving in that direction. Look, I hope you've - let's move on to the next slide, please. Just by way of summary, why DWF and why now? Well, I hope that you've seen that we've got a progressive policy in relation to premises.

We are absolutely committed to delivering positive outcomes to our people, our clients, and stakeholders, and the communities in which we operate. And you've seen where we've got to in relation to clients and the support they are giving us. The Pulse survey, the net promoter score and things like that. You've also seen that we've had a good year, the full year 2022, and the momentum has continued into the current year. And we've also mentioned several times that we've got a very healthy and good and positive pipeline of M&A activity which we're looking to deliver on this year. We are also, in terms of the makeup of our business, defensive in revenue, defensive in approach, as well as a stock, we've got lots of services, lots of service lines that do well in difficult times as well as other times.

And we've got a lot of embedded organic opportunity through things that we've talked about, the new panel positions. Our ability as a unique player in the integrated legal services market on a global basis to do well and appeal to clients and deliver for them what they want to receive rather than what we think they might want to receive. And the time we spend with clients is hugely valuable and something we spend more and more time doing. So I think that is my summary. I think we've delivered on time. I think it's 9:34, I said we hope to deliver this presentation in slightly over 30 minutes, which we've done. So we can now deal with questions. And I think the operator is going to deal with the questions, throw them up, and we'll work out which one of the three of us should answer them. And hopefully, you've got some.

Operator: Thank you. If you would like to ask a question over the phone, please press star one on your telephone keypad. That's star one to ask a question. And we'll take our first question from Robert Plant at Panmure. Please go ahead.

Speaker: Morning, Nigel, Chris, and Matt. Morning. You say that you're going to retain a proportion of the profits to invest in near-term growth opportunities. So the dividend payout was lower than normal. Two related questions, by near-term opportunities, do you mean acquisitions? Therefore, what does the acquisition pipeline look like? And secondly, you could finance acquisitions by issuing equity, but is it until the share price gets above the IPO price, you would be reluctant to issue more shares? Thanks.

Nigel Knowles: I think Chris is the right one to answer that question.

Chris Stefani: I think, Rob, you're sort of spot on both counts. Clearly, we've talked about having a strong acquisition pipeline and that is the case that's how we find ourselves. So we made the decision to preserve some cash to be able to take advantage of those opportunities. Probably can't say much more than that at this stage, but clearly by strong pipeline, that would indicate relatively near-term opportunities. I think your point around the share price is absolutely spot-on as well. I'm not sure anybody would thank us for issuing shares for cash at the price we're currently trading at and indeed in the market, given the market for sort of small to mid-cap isn't – well probably the worst it's been in a while.

So I think we bide our time and use the fact that we've got a new debt facility and we're very comfortable with our leverage position as well. So yeah, hopefully, we'll be talking to you more in relatively short order about what our plans are.

Matt Doughty: And I'll just add to that Chris, though, that I think, Rob, we would still expect for consideration to be paid in part cash, part shares even below the IPO price. I don't think it's - it's not that we won't issue shares as consideration for M&A but I think Chris's point is well made that if we were to try and do an equity fundraise, we would be reluctant to do it at current levels.

Speaker: That's clear. Thanks, Chris and Matt. Thank you.

Operator: The next question is from James at Liberum. Please go ahead.

Speaker: Hey. Morning guys, can you hear me okay?

Nigel Knowles: Yeah. Really clearly.

Speaker: Perfect. I've got four questions but they should be relatively quick. So the first one is just on the refinancing in December 2021. So I understand there's a 1.75 times covenant attached to that. Is the leverage for covenant purposes still calculated as pre-IFRS 16 underlying EBITDA and net debt excluding leases? And if so, what was the leverage on this basis at the results? Second one, how many partner promotions were there during the year? I basically just want to make sure that the cost savings are not kind of coming in as a result of fewer promotions to higher-paying positions. Third one, what was the average rate increase across all service lines? And finally, on the property strategy, should we expect any exceptional costs that arise due to ending leases early as part of the property strategy?

Nigel Knowles: I think, again, that's a question that that four questions that Chris should take the lead on initially.

Chris Stefani: So on leverage pre-IFRS debt excluding leases and a touch over 1.2 on a pre-IFRS basis, so very comfortably within the covenant. On exceptional costs of the lease opportunities already baked into our modelling, so we've made assumptions around dilapidation, rent-free periods, although we've been very prudent in that regard, and also things like - that people think about like under-appreciated assets and the balance sheet. So it's all in there in the graph and the number that we've mentioned. I think you had another question about salary increases; the average increase was just over 5%. And then I think you had a question on partner numbers and promotions which I think I might pass to Matt.

Matt Doughty: I think during the year we added a net 17 partners through a combination of promotions and lateral hires. I think that was probably around 20 - 24 partner promotions internally.

Nigel Knowles: I would observe that one of the things that we've noticed is that partners from other firms who wouldn't probably have talked to us 24 or 36 months ago are now really quite interested in our model and what we can do. And therefore, we've seen quite an increase in real quality lateral hire conversations that we've been having and continue to have. Did your question, by the way, I wrote them down, did you also want - was the rate increase about charging rates increase, or did Chris answer that in the context of something else?

Speaker: No, the rate increase was to do with the rate increase you're passing on to clients in the form of higher fee charges.

Nigel Knowles: Yeah. So how will we - have we increased our charging rates and what we charge? Well, I can answer that. Yes, we have sought to increase the charge rates across all three divisions. It is - there are two comments to make, one is that in relation to panel positions where we have agreed fixed fees, we've obviously got to wait until the end of the contract period before we can enter into a discussion and see an increase to those rates. The other thing I would mention is that a lot of our work particularly on the corporate, real estate or finance banking side is subject to quotes that we give and agree with clients.

I would say we're doing two things. First of all, we're very keen to look at the scope of the work for which we are submitting a quote to make sure that if the job gets more difficult, more complicated, or takes longer, we've got an opportunity to revisit the quote that we make. And also, we are making sure that we record all our time, which is what we should do anyway, and look and learn about how much we're quoting, how much time we're recording, what we're billing, and what does that tell us about how we should quote and talk to clients about fees in the future? So I would think that with a Scottish accountant and a Yorkshire-based CEO, well not Yorkshire-based but Yorkshire-born CEO, we're pretty good at working out how we can maximize the upside in terms of revenue.

Speaker: Thank you.

Operator: Thank you. Next question is from Sam Dindol at Stifel. Please go ahead.

Nigel Knowles: Morning.

Sam: Morning. Couple of questions for me. Firstly, on Mindcrest, do you think the headwinds that impacted that business in the second half will abate in 2023, and how do you see that going? And then secondly, on the dividend, how quickly do you think it could trend back towards the - up to 70%, and any thoughts about that beyond this year? Thank you.

Nigel Knowles: Matt was the last person to visit India a couple of weeks ago, where a substantial amount of Mindcrest is. Do you want to deal with the first question, Matt, and then Chris can deal with the second part?

Matt Doughty: Yeah. We've refreshed the management team at Mindcrest at a senior level. We've got a lot of emphasis at the moment on external sales growth. We're hiring new sales capability on a regional basis. We see lots of opportunities to drive Mindcrest as a separate brand into the market, continue to do that. It has always done that and provided standalone ALSP services into the market. So we see opportunity there particularly in the US, UK, actually out of the Middle East, which is proving quite strong from a pipeline point of view. And also Australia which is - has been fairly active on the ALSP side. We've got really good growth among the client programme from both Connected and Mindcrest last year.

So the growth rate for Connected was about 32% among the top 100 clients and Mindcrest was about 16%. So the internal cross-referral opportunity is definitely there and we need to continue to drive that. And as we've talked about before, we see a sort of captive BPO strategy around Mindcrest which we are definitely on with. And this will be the year where we will start to see more material movements of headcount out to India and using the Indian capability to drive more efficiency. So a lot of opportunities ahead of us, I think, in relation to Mindcrest.

Chris Stefani: Thanks. Thanks, Matt, and hi, Sam. Yeah, just to your second question, I think the short answer is there's no reason why we couldn't sort of snap back to a similar level of payout to that seen last year. It's not a sort of - it's not a phased return or anything like that, it's simply that we've got some near-term opportunities that we feel is a better use of the cash particularly given where the sort of the general environment is as per the comments earlier. So yeah, it's not a sort of permanent deviation so much as a one-off.

Sam: Thank you.

Nigel Knowles: Okay. Next question.

Operator: There's currently no more questions at this time.

Nigel Knowles: Okay. Okay. Well, look, we are very grateful to you for your interest in what we're doing and your attendance on this call. And you know us all. And if any questions occur to you after this session comes to an end, just please get in touch with us and we'll do all we can to answer them. But we are grateful to you and thank you for attending. And I hope you found it interesting, so bye from all of us. Thank you, again.

Operator: Thank you. And this will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.