



# DWF FY22 Results

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21 July 2022

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# Agenda

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



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**Chris Stefani**  
Group Chief Financial Officer



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**Matthew Doughty**  
Group Chief Operating Officer

# Introduction

Sir Nigel Knowles





## GROUP CEO HIGHLIGHTS

“We are delighted with our record set of FY22 results. Adjusted profit before tax increased by 21% against a strong prior year is a result we are proud of and has been achieved thanks to margin improvement across each of our three divisions combined with ongoing rigour in our control of costs.”

**Sir Nigel Knowles**  
Chief Executive Officer



Revenue growth 7% Like-for-Like



21% increase in adjusted PBT  
and 45% increase in EPS



FY dividend increases to  
4.75p

# Financial Review

Chris Stefani

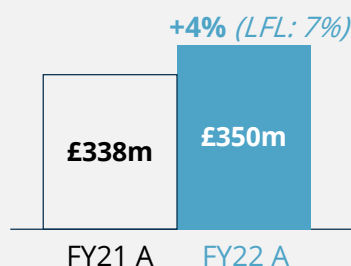


# FY22: Strategy is delivering sustainable profitable growth, with record Adjusted PBT

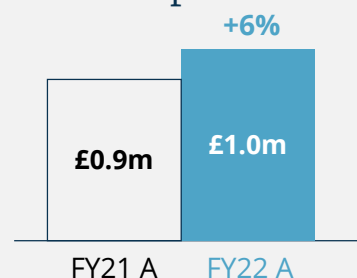
## FINANCIAL HIGHLIGHTS

Continued improvement across the majority of the Group's KPI's, creating a platform for further growth

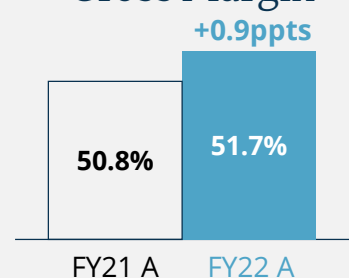
Net Revenue



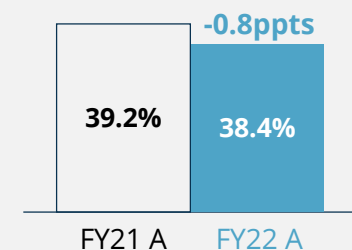
Revenue per Partner



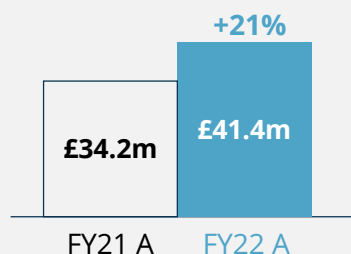
Gross Margin



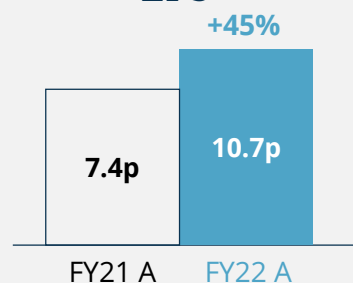
Cost to Income ratio\*



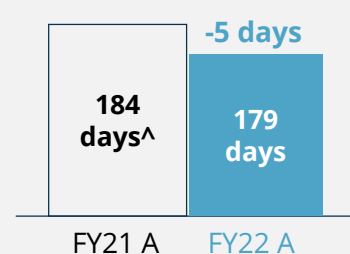
Adjusted PBT



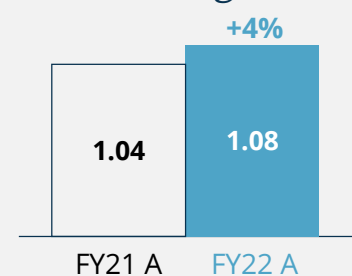
EPS<sup>^^</sup>



Lock up



Leverage<sup>\*\*</sup>



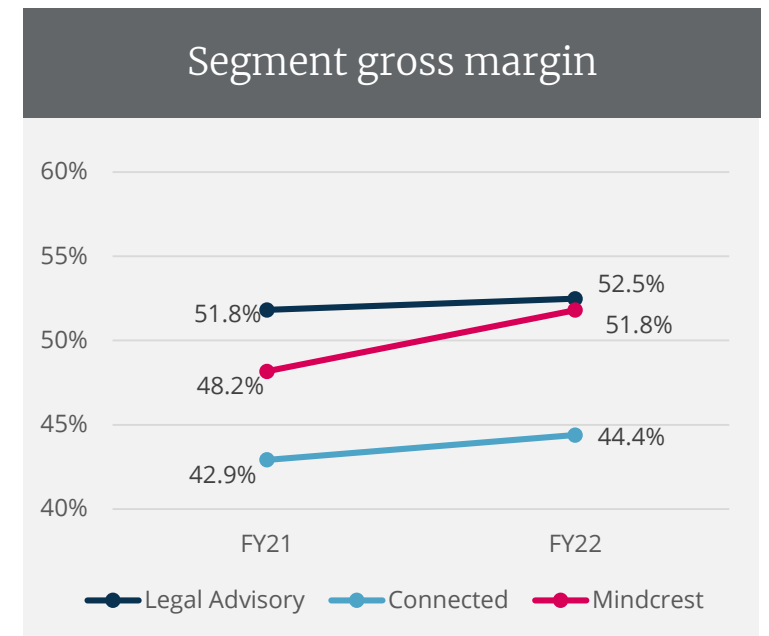
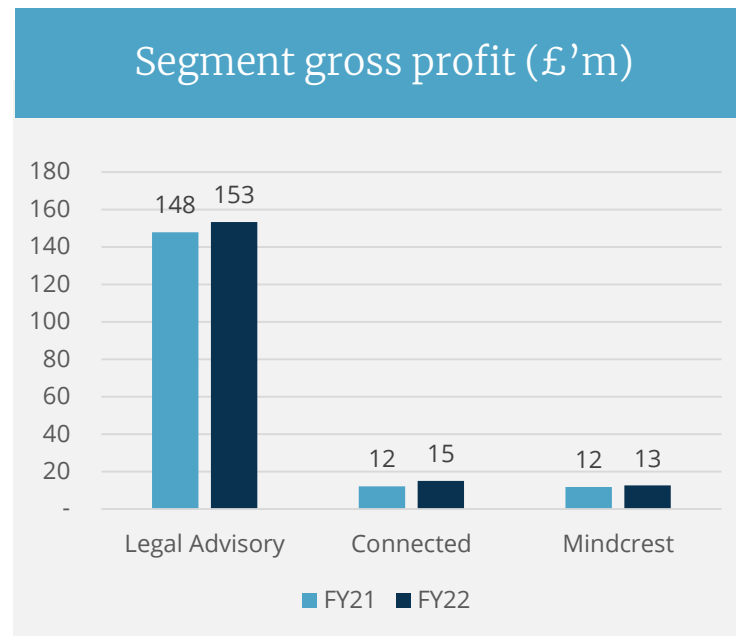
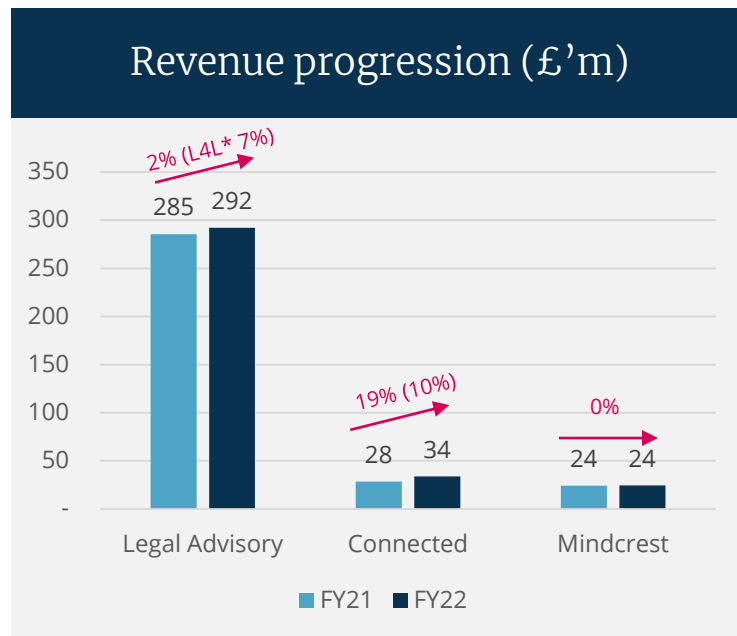
FY22 total Dividend 4.75p (FY21 4.5p)

\*Cost to income ratio is calculated including depreciation | \*\*Leverage is bank net debt/Post IFRS16 EBITDA | ^Restated | ^^ EPS is adjusted diluted

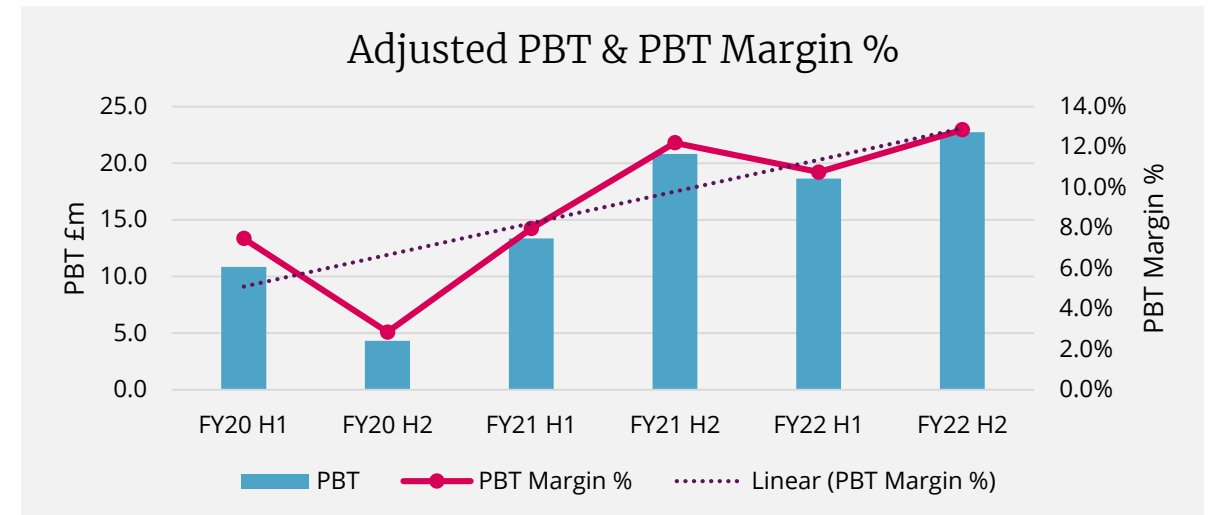
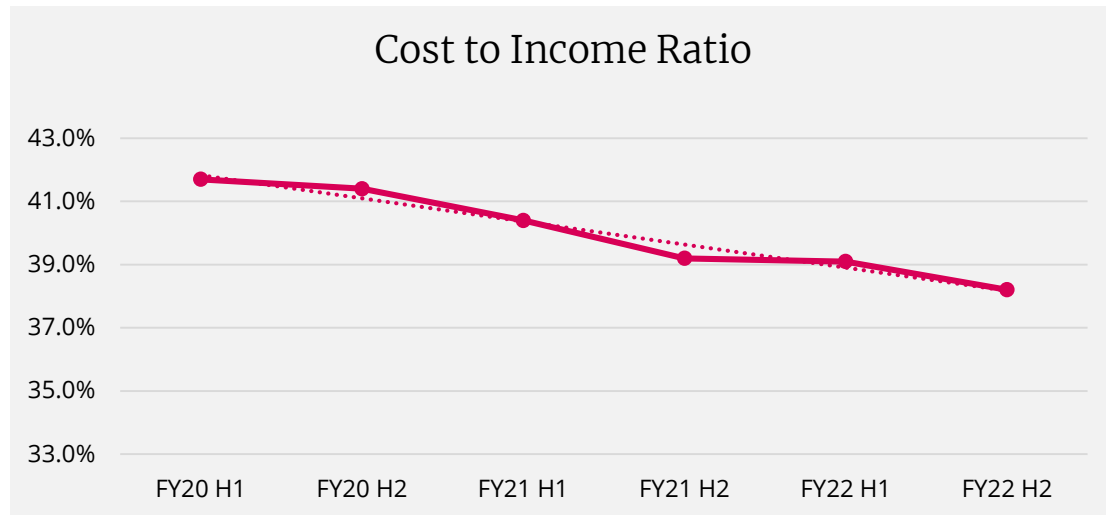
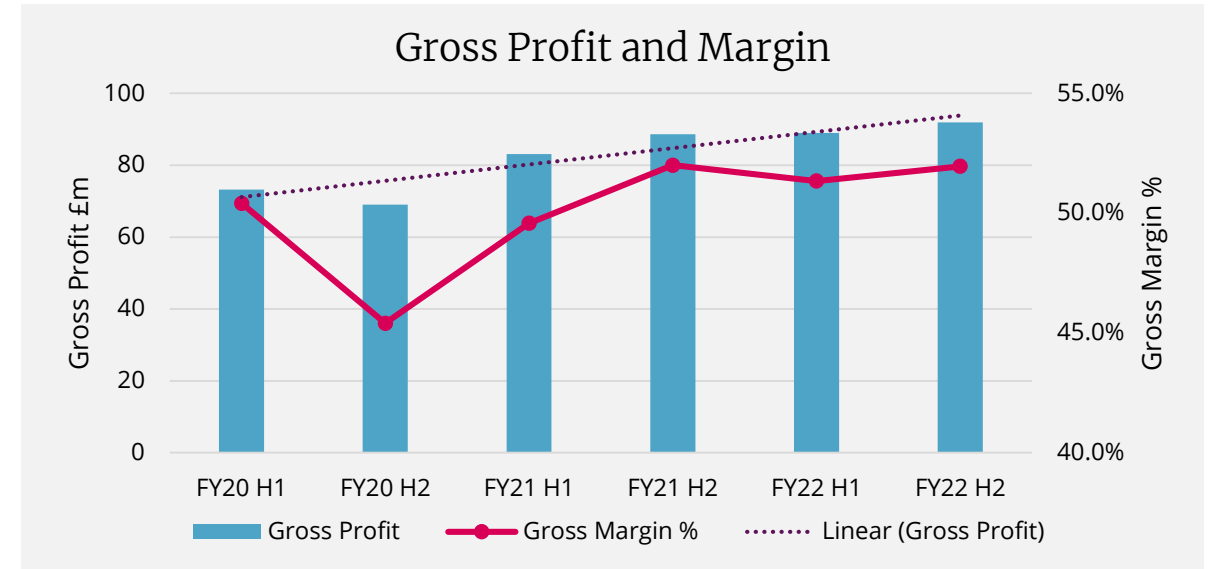
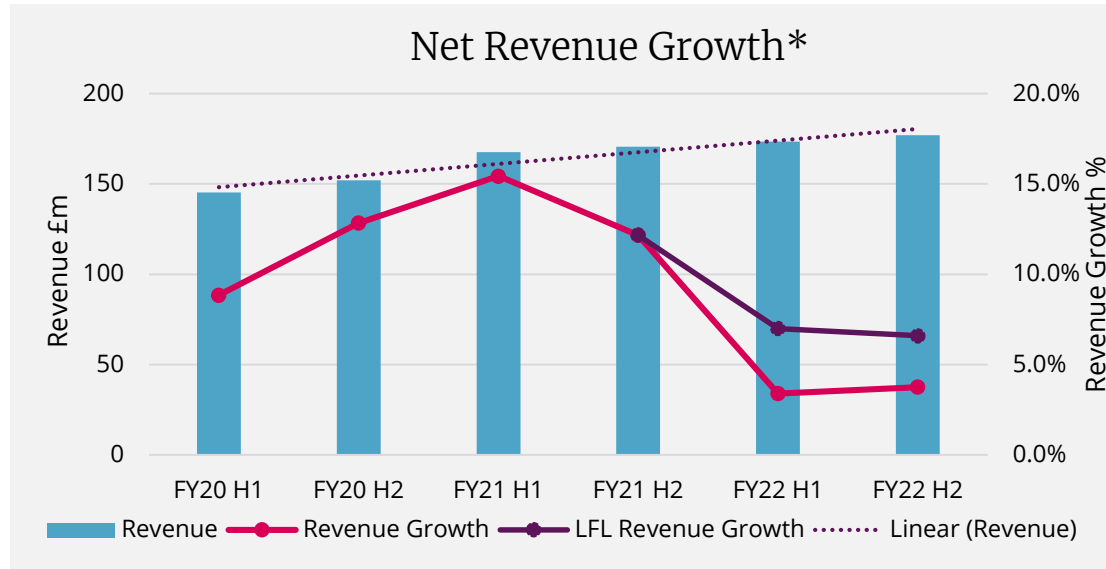
# Divisional Performance

## KEY HIGHLIGHTS

- Legal Advisory, our largest division, delivered 7% L4L revenue growth with Connected 10% L4L growth.
- All three divisions have shown gross profit increases and gross margin percentage enhancement.

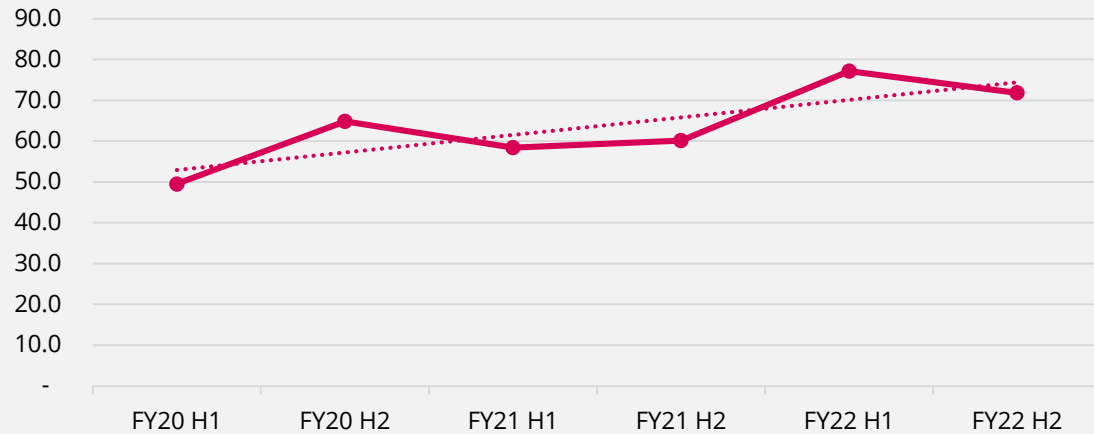


## Income statement trends

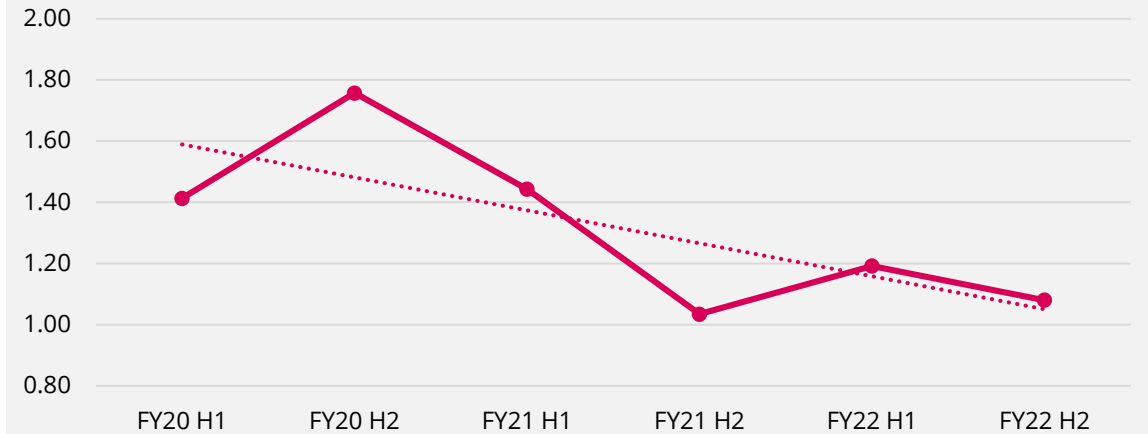


## Balance sheet trends

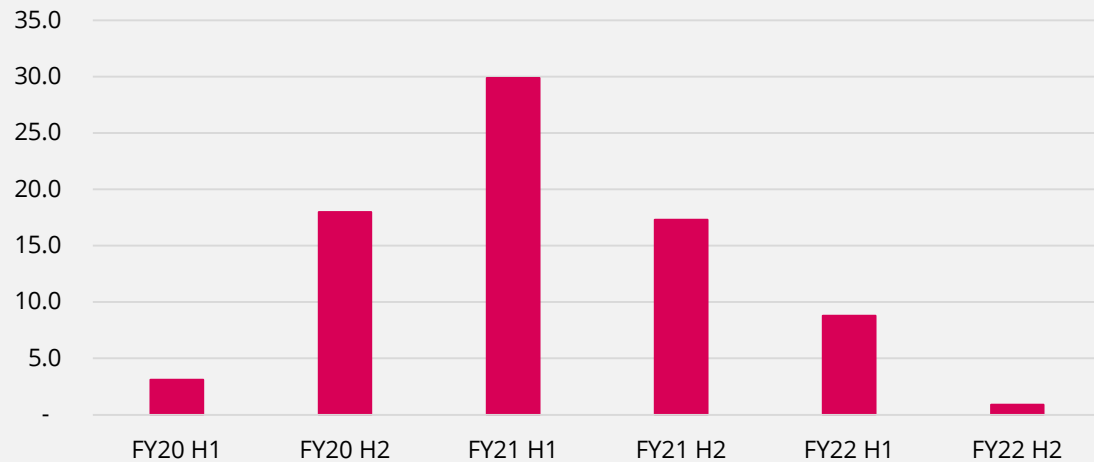
### Reported Net Debt £'m



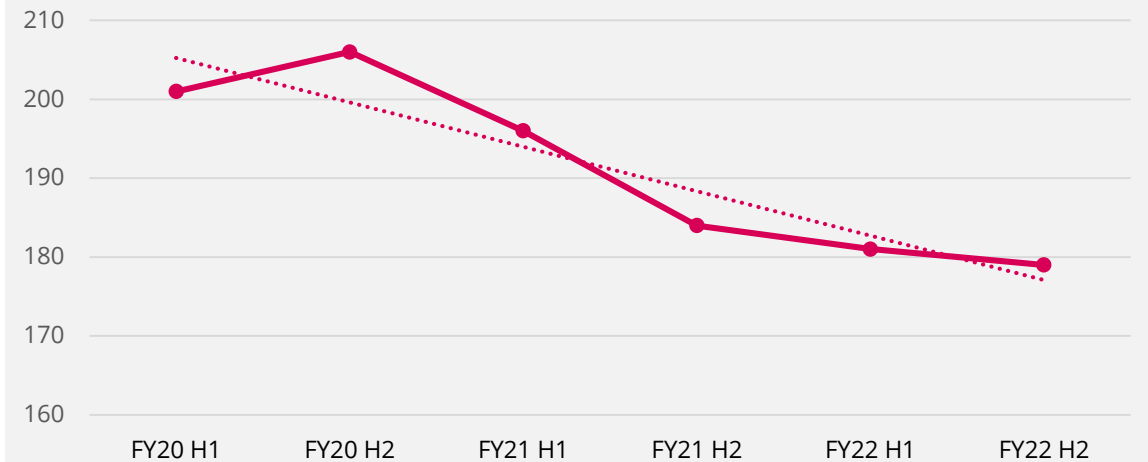
### Leverage (Post IFRS 16)



### Balance Sheet - Deferrals £'m



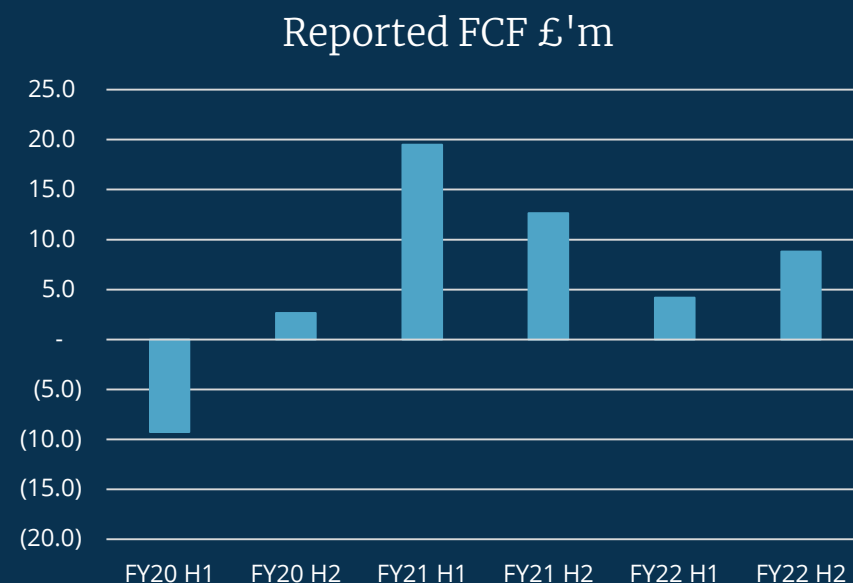
### Lock-Up Days



# Cash flow trends & liquidity

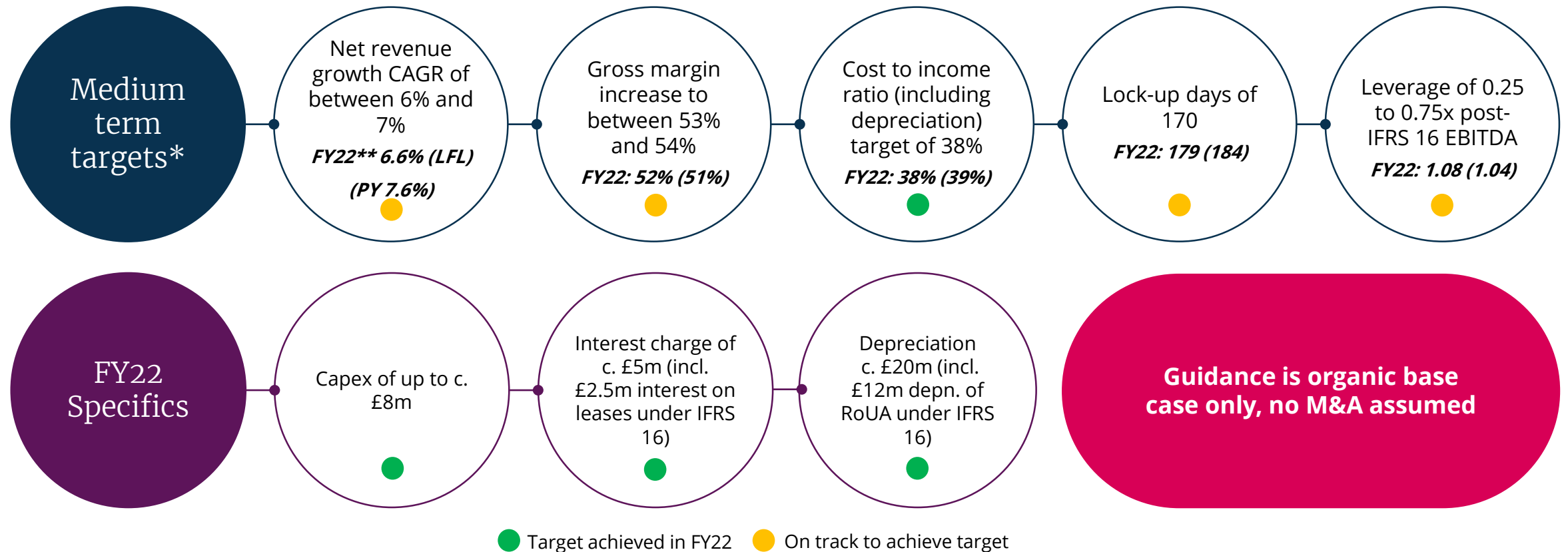
Strong cash from operations, with some one-off outflows

	£m	
<b>Net debt as at 30 April 2021</b>		<b>(60.2)</b>
Cash from operations (excl. lease outflows)	55.4	
Lease outflows	(13.4)	
<b>Cash from operations</b>	<b>42.0</b>	
Capital Expenditure	(7.4)	
Dividend	(13.5)	
Interest & tax outflows	(7.5)	
FX	(1.8)	
<b>Cash used for investing &amp; financing</b>	<b>(30.2)</b>	
<b>Cash generated before non-recurring outflows</b>		<b>11.7</b>
COVID repayments	(10.7)	
Acquisition outflow	(8.6)	
Closure and scale backs outflow	(4.0)	
<b>Non-recurring outflows</b>		<b>(23.3)</b>
<b>Net debt as at 30 April 2022</b>		<b>(71.8)</b>



- FY22 FCF includes £10.7m outflow for COVID deferrals and £4m outflow for closures and scale backs.
- The underlying trend shows a smoother pattern of cash generation with PY FCF benefitting from Covid deferrals and strong lock-up improvement.
- The Group successfully completed a refinancing of its RCF in December 2021, obtaining a £100m facility with an additional accordion facility of up to £20m as well as a permanent relaxation of certain covenants.
- Dividend policy is for pay-out of up to 70% of adjusted PAT, but with the option to retain cash for near-term investment opportunities.

# Confidence in existing guidance



# Financial Summary

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FY22: A record year, with further profitable growth and working capital improvement.

Confidence in outlook due to defensive nature in revenues



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1. Strong activity levels have supported continued **year-on-year net revenue growth and greater like for like net revenue growth**



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2. **Gross margin has increased for the Group** despite investment into the January pay-review, and **reduced Cost to Income ratio.**



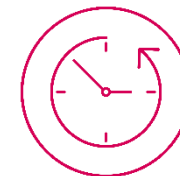
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3. **21% increase in adjusted PBT** vs the prior year as a result of strong growth, margin development and overhead cost control. **EPS up 45% from PY.**



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4. **Lock-up continues to reduce** but there remains opportunity to reduce this further.



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5. **A strong pipeline of M&A** as well as plans for significant investment into IT, the Group's facilities strategy and other back office optimisation.



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6. **Net debt has reduced since H1 22** despite the settlement of balance sheet deferrals reflecting strong cash generation in the Group.



# Strategic Update

Matthew Doughty & Chris Stefani

# Positioned to deliver on market opportunity

We commissioned Thomson Reuters to conduct independent market analysis on the outlook for the global legal services market and the key themes driving buyer behaviour. Their findings validate our strategy.



## Global Market Growth

- 5% global growth rate
- 40% of companies spending more on legal services
- Emerging markets growing most quickly

**Global market is growing, clients are spending more, clear growth opportunity**



## Services in demand

- Traditional transactional legal services
- Legal Tech
- Growth in our core sectors

**We have the services and expertise to capitalise on specific areas of growing demand**



## ALSP\* Market Growth

- ALSP use doubling by 2025
- Legal tech budgets triple in same period
- Captive ALSPs are the fastest growing segment of ALSP market

**Market conditions ripe to grow Mindcrest and Legal Tech offerings**



## A winning proposition

- Most law firms are evolving but not differentiating their services
- Few are taking action to counter rise of Big 4

**Our integrated approach differentiates us from the traditional legal market**

# Success of our client programme



500 clients  
generate 80%  
income



63  
NPS Score  
(+14)



48 clients over  
£1m (+7)



11% growth  
from our focus  
accounts



£8m+ referred  
from Connected  
Services into  
Legal Advisory



45% ILM  
penetration  
(+3%)

A client is classed as an ILM client if it has billed £25k or more in a second division. ILM Billings are the total billings relating to that client. ILM Penetration measured as a % of overall revenue

# Pulse Survey\*

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## Highlights

- Record response rate: 73% or 2,948 people responded, +350 compared with our previous survey
- Colleagues feel treated with dignity and respect (+1 on previous survey) and can be themselves at work (+1)
- 83% feel supported to adopt to a hybrid model of working (new question for FY22 survey)



## Engagement score

Remained at 76. Our Engagement score is based on responses to the following three questions:

1. I would recommend this as a great place to work – **77** (no change)
2. I rarely think about looking for a job elsewhere – **71** (no change)
3. I am enthusiastic about my job – **80** (+1)

Engagement score  
remains

76

# DWF Life

Our strong sense of purpose, sector leading ESG strategy and unique business structure gives DWF a compelling colleague proposition.

We continue to develop our proposition to ensure we have competitive reward and benefits, along with a progressive and inclusive working environment.



We act with **Purpose** – to deliver positive outcomes with our colleagues, clients and communities

# Premises Strategy

## High quality space

- Focus on reducing current portfolio with 1/3rd of the current space considered to be addressable for savings / reductions.

## Enhanced office experience for attraction and retention of talent

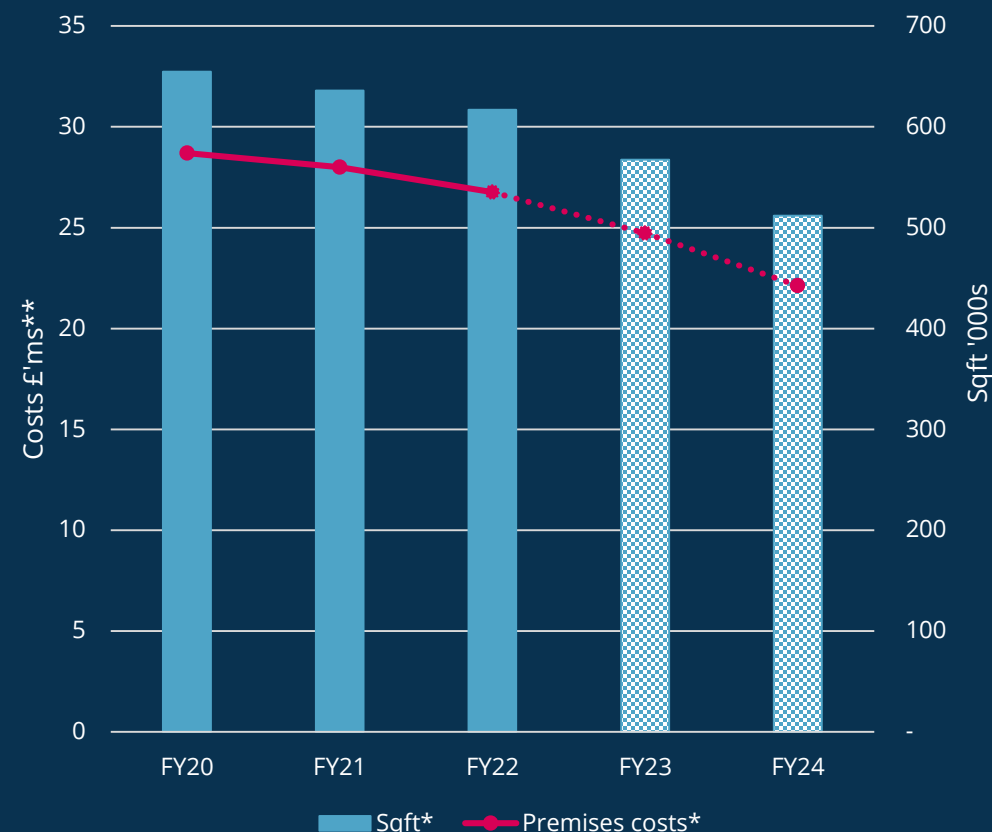
- Aim to improve quality of remaining workspaces to create working environments which enhance colleague wellbeing and performance.
- Less space contributes to carbon reduction targets.

## Cost savings and profit upside opportunity

- £2.0m savings already achieved.
- All office improvements will be self-funded.
- Savings in graph are annualised savings based on anticipated lease events<sup>^</sup>.

<sup>^</sup>In year run-rates will be confirmed via updated guidance at the appropriate time

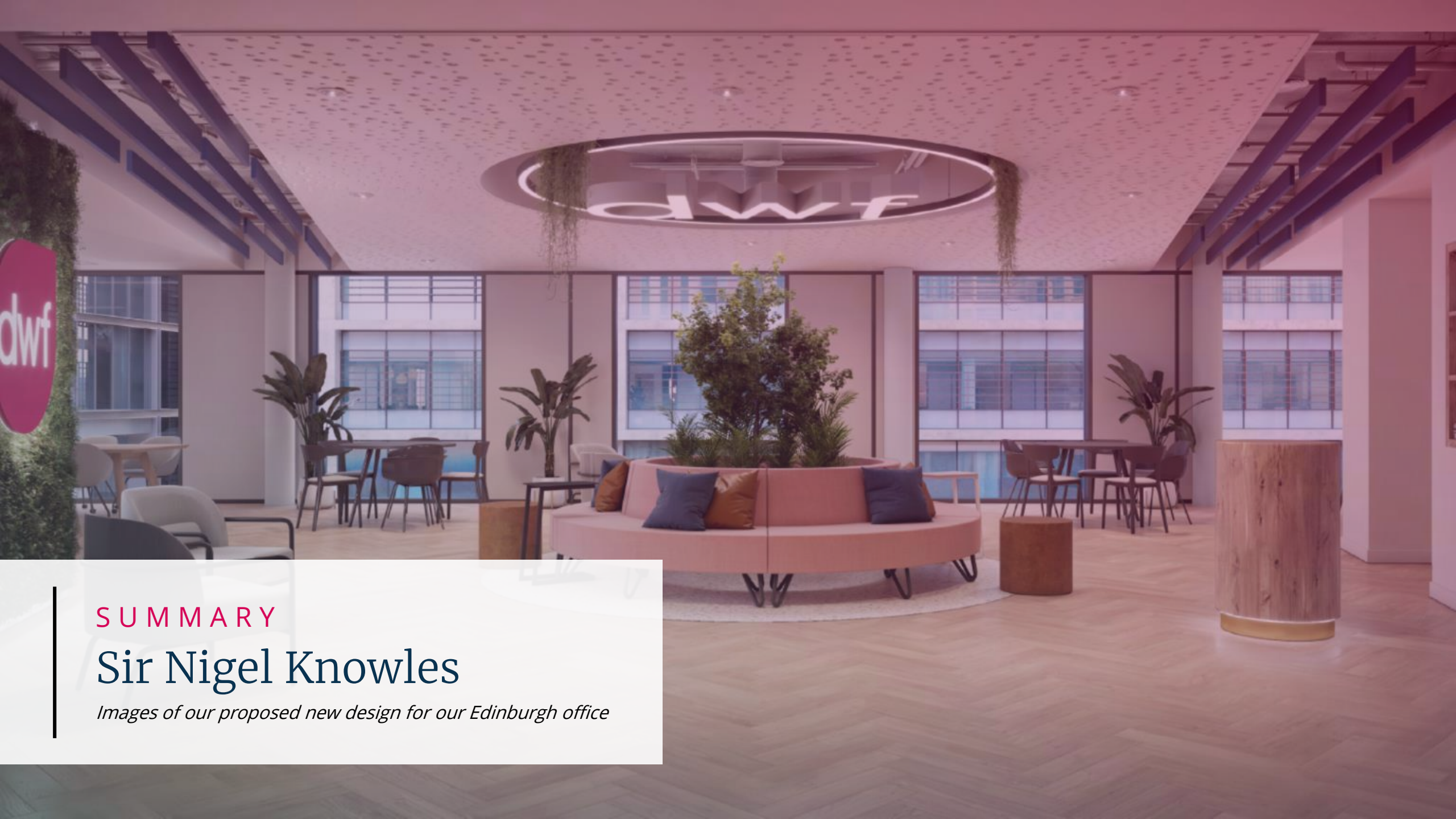
## Premises Costs and Area



Total annualised savings expected to be made of c£7m (23% reduction)

\*Future costs are Management estimates

\*\* Costs quoted above are pre-IFRS 16



## SUMMARY

# Sir Nigel Knowles

*Images of our proposed new design for our Edinburgh office*

# Why DWF, why now?

## OUR VISION

To become the leading global provider of integrated legal and business services.

### Outlook

The first two months of trading for FY2022/23 have been strong, showing continued momentum in line with Q4 of FY2021/22. Despite the prospect of challenging macro-economic conditions, we remain confident in our medium-term guidance. This confidence is supported by the defensive nature of the Group's revenue being weighted towards litigation and the recurring revenues in Insurance, which has always protected the Group both from artificial peaks in growth and hedges against a slowdown in transactional activity.



#### Strategy: Integrated Legal Management

Legal Advisory, Mindcrest  
and Connected Services



#### Financial

FY22 shows further  
profitable growth, FY23  
outlook confident



#### M&A

Resumed and more to  
come



#### Defensive revenues

Litigation focus and  
recurring Insurance  
weighting



#### Embedded organic opportunity

Focus on 500 clients  
covering 80% of revenues



#### Upside potential

Captive ALSP and cost  
initiatives

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

A photograph of a glass of water on a table. The glass is partially filled with water and has a reflection on the surface below it. To the right of the glass is a white notepad with a red circular logo that says 'dwf'. A red pen with a silver clip is lying on the notepad. The background is a blurred view of a building with many windows.

Q&A

# Appendices



# Who we are

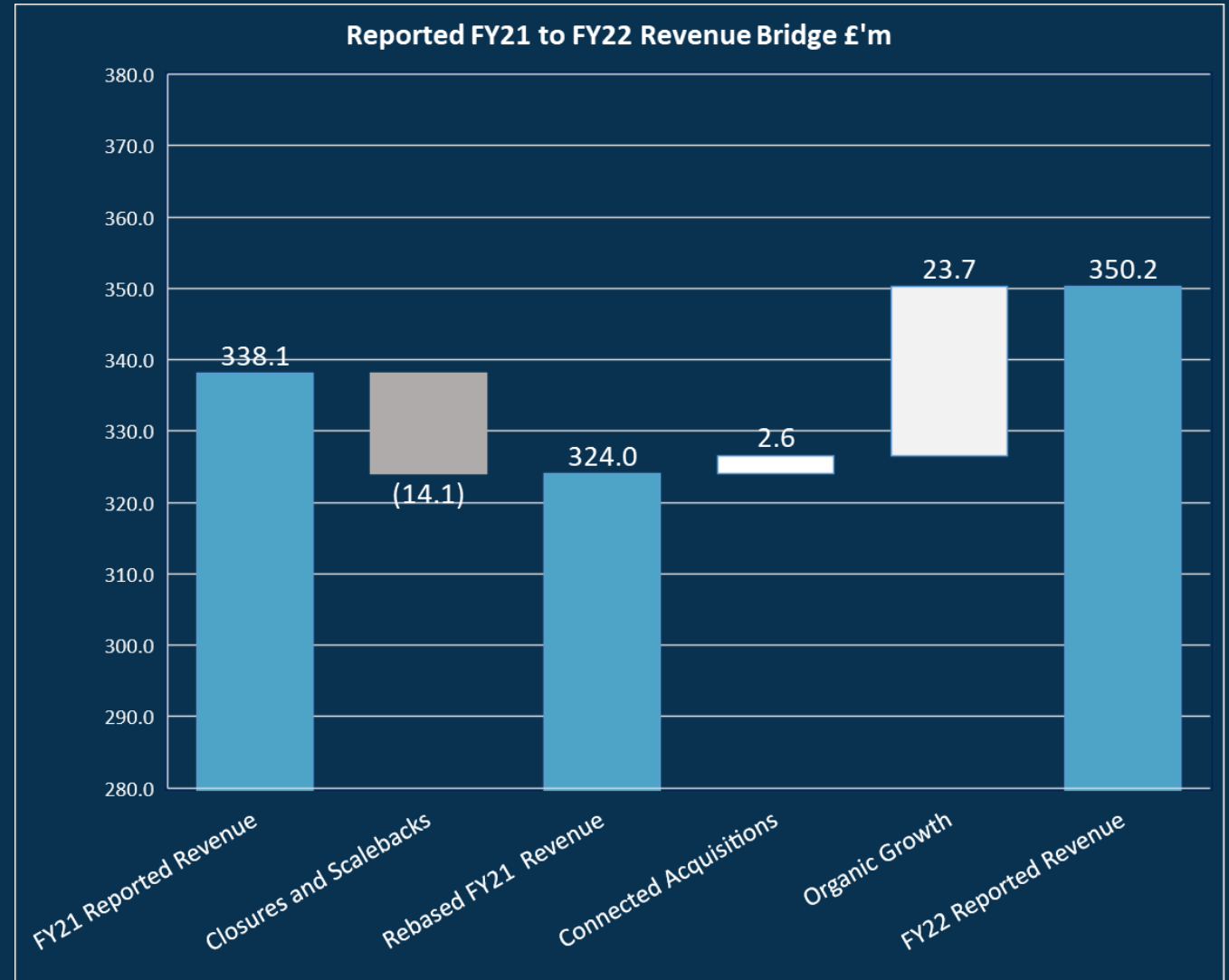
a leading global provider of integrated legal and business services



# Revenue Bridge

## Reported FY21 to FY22 Net Revenue Bridge £'m

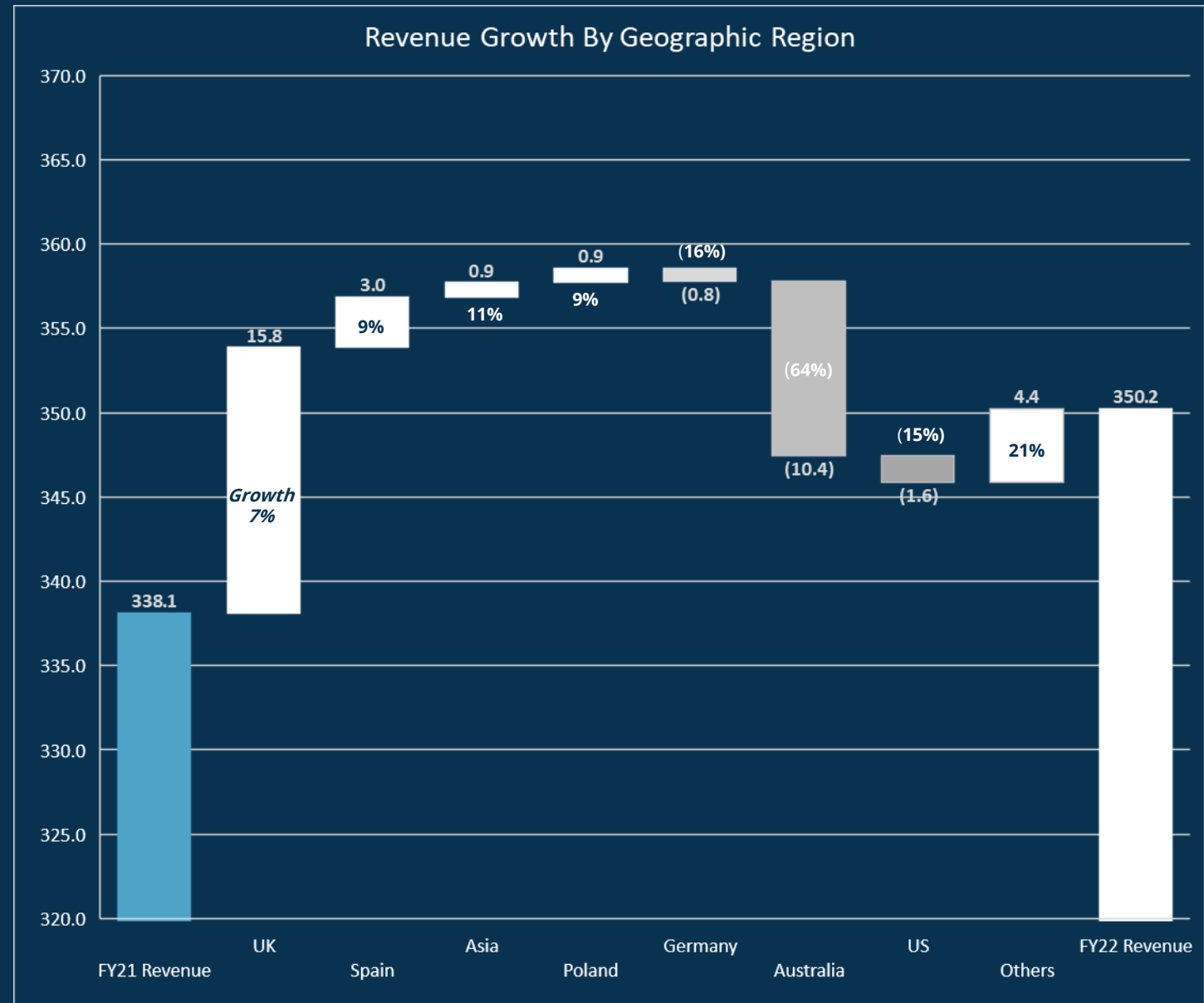
- Reported net revenue increases 4% YOY.
- However on a like-for-like basis growth is 7%. Legal Advisory has seen like-for-like growth of 7% and our Connected division has seen like-for-like growth of 10%.
- The reported Net Revenue includes the impact of the FY21 closures and scale backs mostly in Australia and the new acquisitions of Zing and BCA in May FY22 which our like-for-like metrics exclude.



# Revenue Bridge

## Reported FY21 to FY22 Net Revenue Bridge £'m

- Reported net revenue increases 4% YOY. However on a like-for-like basis growth is 7%.
- Strong growth has been seen in the UK, Spain and Asia offset by territories where we have scaled backed operations including Australia and Germany.



# Capital management framework

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## Dividends

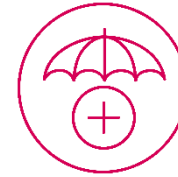
- Progressive policy
- Target pay-out of up to 70% of adjusted profit after tax
- Interim March, final October
- Interim target 1/3rd of PY full year dividend



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## Borrowings/Leverage

- Target to operate between 0.25 and 0.75x post-IFRS 16 EBITDA
- Re-finance completed in December 2021 for a £100m RCF over a 5 year term



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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

# Statutory tables

Income statement £'m	2022	2021
Revenue	350.2	338.1
Direct costs	(169.3)	(166.3)
<b>Gross profit</b>	<b>180.9</b>	<b>171.8</b>
<i>Gross margin</i>	<i>51.7%</i>	<i>50.8%</i>
Administration expenses	(153.3)	(197.4)
<b>Operating profit / (loss)</b>	<b>27.7</b>	<b>(25.6)</b>
Interest payable	(5.3)	(5.0)
<b>Profit / (loss) before tax</b>	<b>22.3</b>	<b>(30.6)</b>
Tax	(2.0)	(4.6)
<b>Profit / (loss) after tax</b>	<b>20.3</b>	<b>(35.2)</b>
<i>Adjusted profit before tax</i>	<i>41.4</i>	<i>34.2</i>

Adjusted EBITDA £'000	2022	2021
<b>Operating profit / (loss)</b>	<b>27,653</b>	<b>(25,634)</b>
Depreciation of right-of-use asset	12,737	11,977
Other depreciation and amortisation	7,211	6,989
Total of adjusting items	19,081	64,792
<b>Adjusted EBITDA</b>	<b>66,682</b>	<b>58,124</b>

Adjusted PBT £'000	2022	2021
<b>Profit / (loss) before tax ('PBT')</b>	<b>22,316</b>	<b>(30,600)</b>
Office closures and scale-backs	(238)	14,898
Acquisition-related expenses	9,564	20,743
DWF RCD modification impact	-	13,796
Change of CEO	-	1,011
Impact of COVID-19	-	1,011
Other share-based payment expenses	9,609	13,333
Refinancing costs	146	-
<b>Adjusted PBT</b>	<b>41,397</b>	<b>34,192</b>

Cost to income ratio £'000	2022	2021
<b>Net revenue</b>	<b>350,242</b>	<b>338,130</b>
<b>Administrative expenses</b>	<b>153,257</b>	<b>197,415</b>
Total of adjusting items	(19,081)	(64,792)
Less: re-financing costs included in adjusting items	146	-
<b>Adjusted administrative expenses</b>	<b>134,322</b>	<b>132,623</b>
<b>Cost to income ratio</b>	<b>38.4%</b>	<b>39.2%</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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