

DWF HY22 results

9 December 2021

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Agenda

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Sir Nigel Knowles
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Sir Nigel Knowles
Chief Executive Officer



Chris Stefani
Chief Financial Officer



Matthew Doughty
Chief Operating Officer



Kirsty Rogers
Head of ESG

Introduction

Sir Nigel Knowles



CEO Highlights



“We are delighted with our performance for the first half of FY22. We have continued to see strong revenue growth,....an improvement in our gross margin and a reduction in our overheads relative to revenue. This has led to a compelling step-change in profitability with our adjusted pre-tax profit increasing by 40%.”

Sir Nigel Knowles
Chief Executive Officer

Financial Review

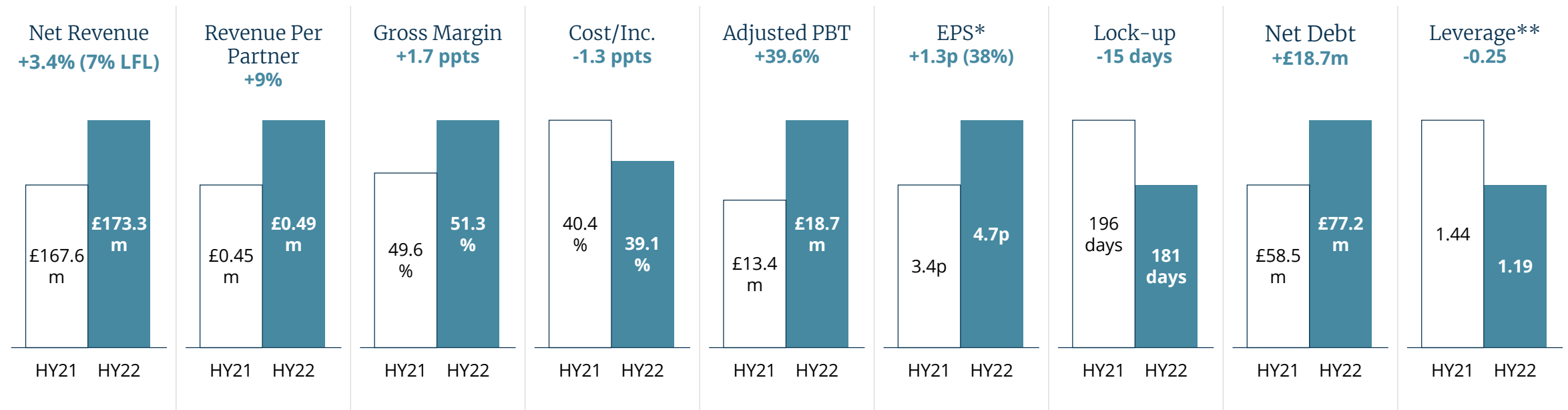
Chris Stefani



Financial highlights

HY22: Profitable growth, building on our FY21 transformation

Step change in profitability, with further progress on working capital and balance sheet strength



*EPS is adjusted diluted

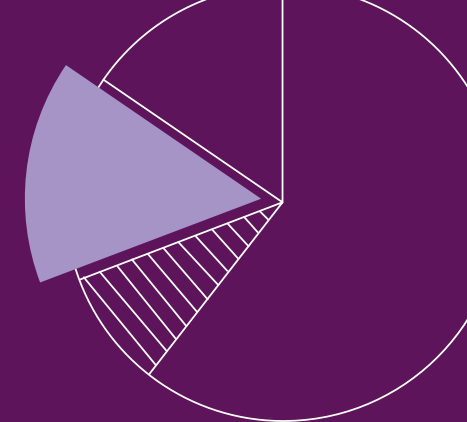
**Leverage is defined as Net debt divided by last 12 months Adjusted EBITDA (Post-IFRS 16). The reduction in leverage is consistent with leverage used for banking covenant purposes which is on a Pre-IFRS 16 basis.

Financial highlights

For the 6 months ending 31 October 2021

Growth in revenue, margin expansion, cash generation and a strengthening balance sheet

Key Financials	H1 2022	H1 2021	Change
Net revenue (£m)	173.3	167.6	3.4%
Adjusted EBITDA (£m)	31.3	24.7	26.7%
Adjusted EBITDA margin	18.1%	14.7%	3.4ppts
Operating profit/ (loss) (£m)	13.6	(8.9)	
Profit / (loss) before tax (£m)	11.0	(11.0)	
Adjusted profit before tax (£m)	18.7	13.4	39.6%
Adjusted profit before tax margin	10.8%	8.0%	2.8ppts
Free cash flow (£m)	4.2	19.5	(78.5%)
Adjusted diluted earnings per share (p)	4.7	3.4	38.2%
Net debt (£m)	77.2	58.5	32.0%
Interim dividend per share (p)	1.5	1.5	0.0%



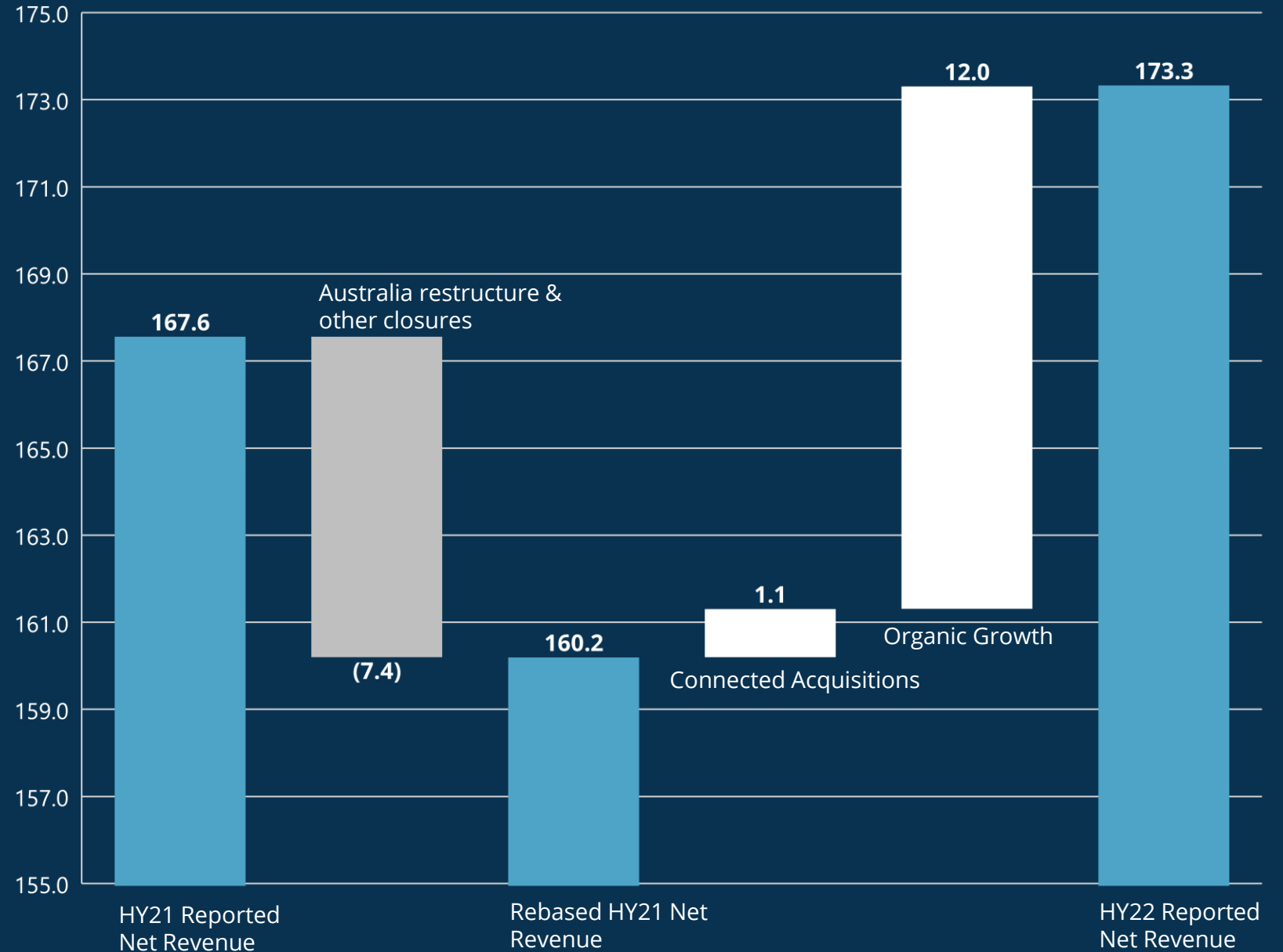
Highlights

- Net revenue increased by 3%, or 7% on a like-for-like basis
- Adjusted EBITDA and PBT increased by 27% and 40% respectively reflecting the ongoing profit transformation of the Group
- Adjusted EBITDA and PBT margins as % of net revenue improved by 3.4pts and 2.8ppts
- Net debt increase of £18.7m reflects:
 - £25m of one-off outflows for Covid deferrals, deferred consideration and Australia restructure
 - £9m final dividend payment
 - Strong free cash flow (FCF) generation after accounting for Covid deferral catch-ups
- £20m reduction from YE20 in liabilities related to Covid deferrals and deferred consideration strengthen the balance sheet.
- Interim dividend of 1.5p reflects ongoing confidence in revenue and profit performance and cash conversion.

Revenue Bridge

Reported HY21 to HY22 Net Revenue Bridge £'m

- Reported net revenue increases 3% YOY
- However on a like-for-like basis growth is 7%.
- All divisions have grown on an organic basis
- The reported Net Revenue includes the impact of the closures and scale backs mostly in Australia and the new acquisitions made for Zing and BCA



Divisional Performance

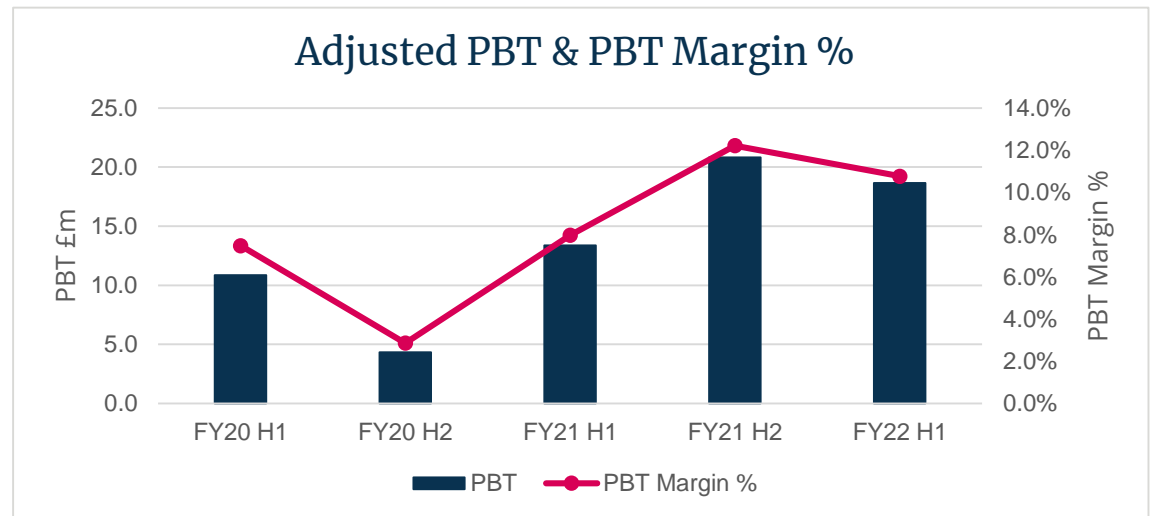
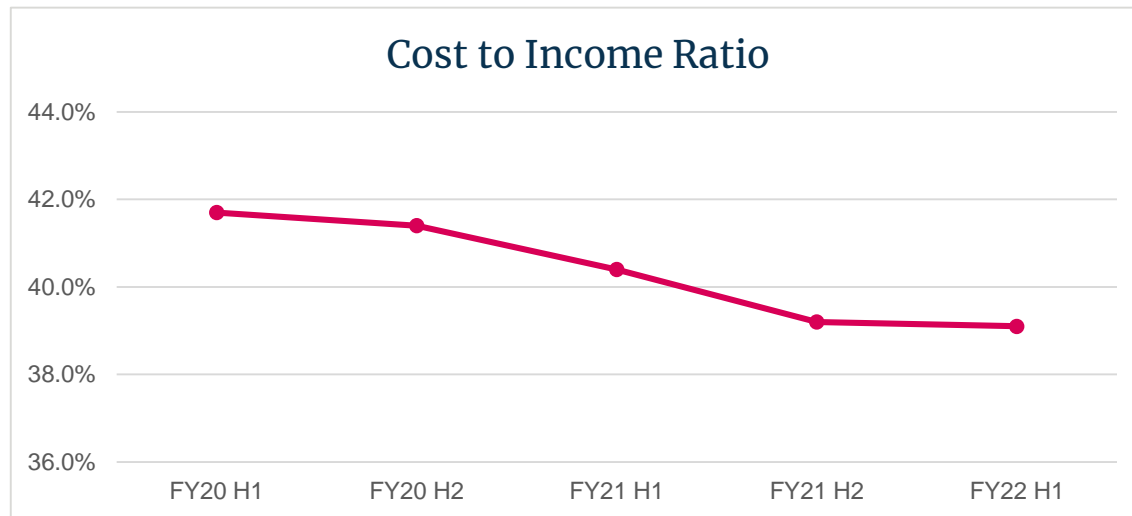
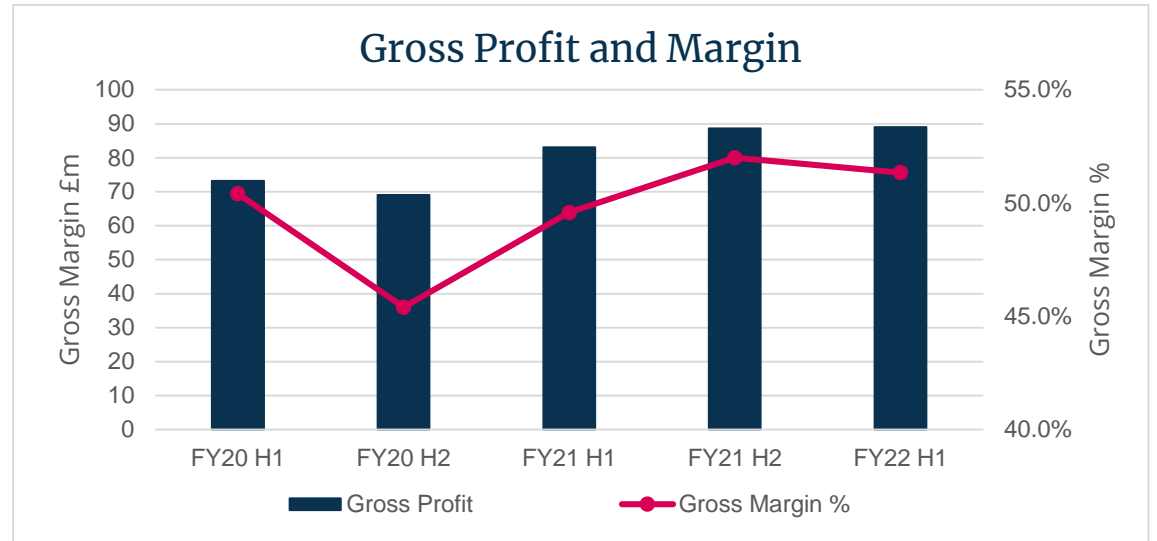
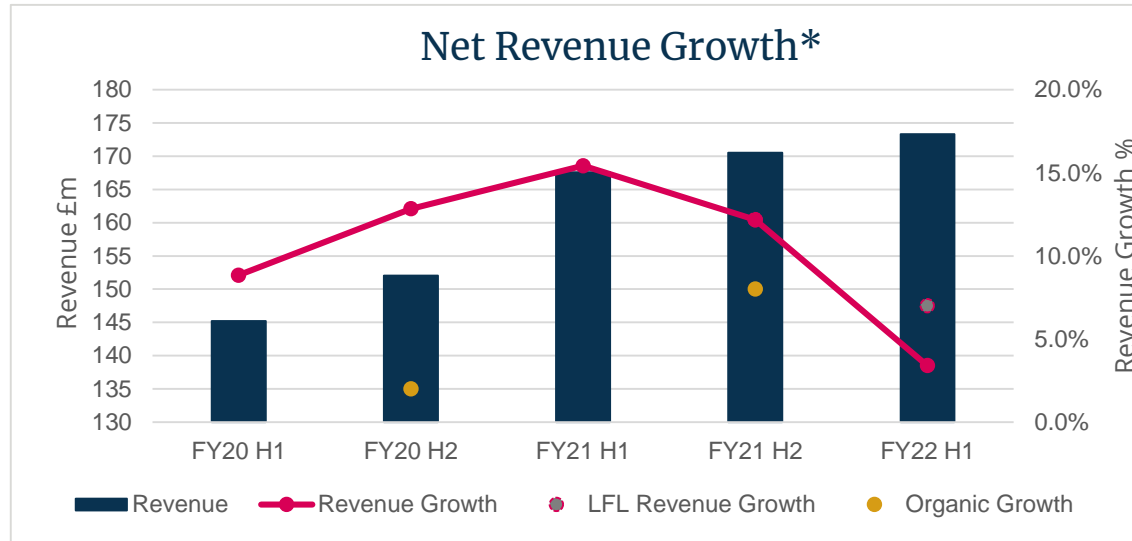
New operating model delivering on the strategy

All three divisions have shown revenue growth, margin increase and gross margin percentage enhancement

	Legal Advisory	Connected Services	Mindcrest	Group
Net Revenue <i>Like-for-like* growth rate</i>	£143.8m +1.9% +6.9%	£16.3m +14.4% +6.6%	£13.1m +8.0% +8.0%	£173.3m +3.4% +7.0%
Gross Profit	£75.6m +5.9% +10.1%	£7.3m +19.7% +10.2%	£6.1m +8.6% +8.6%	£89.0m +7.1% +10.0%
Gross Margin	52.6% +2.0ppts +1.5ppts	44.6% +2.0ppts +1.4ppts	46.5% +0.3ppts +0.3ppts	51.3% +1.7ppts +1.4ppts

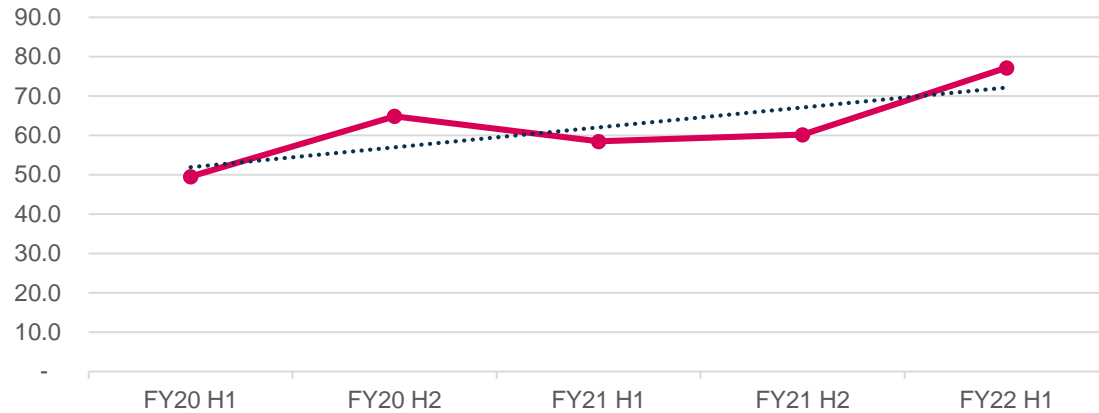
*Like-for-like growth is organic growth (which excludes the impact of acquisitions), but also removes the impact of restructured operations to aide year-on-year comparisons.

Income statement trends

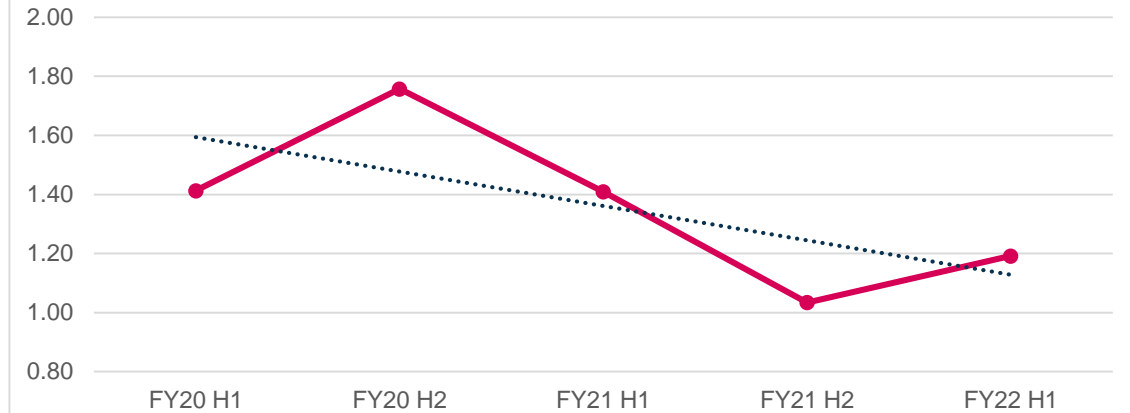


Balance sheet trends

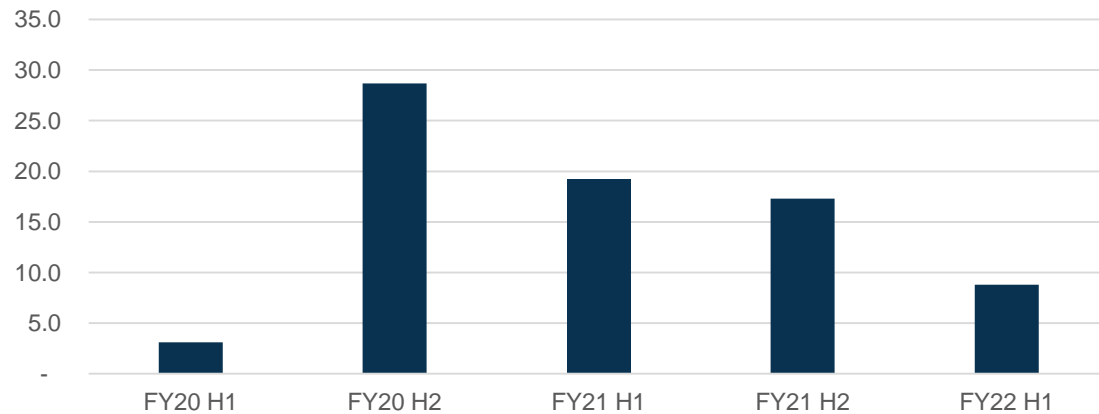
Reported Net Debt £'m



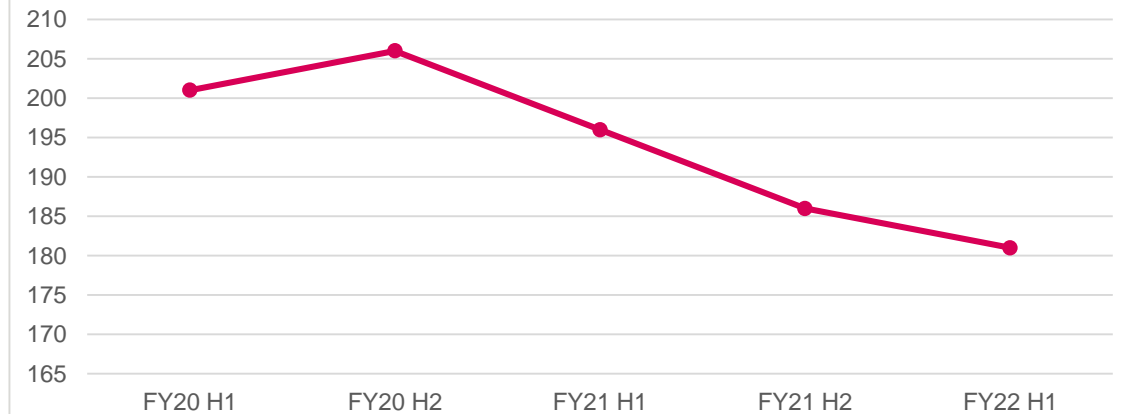
Leverage (Post-IFRS 16)



Balance Sheet - Deferrals £'m*



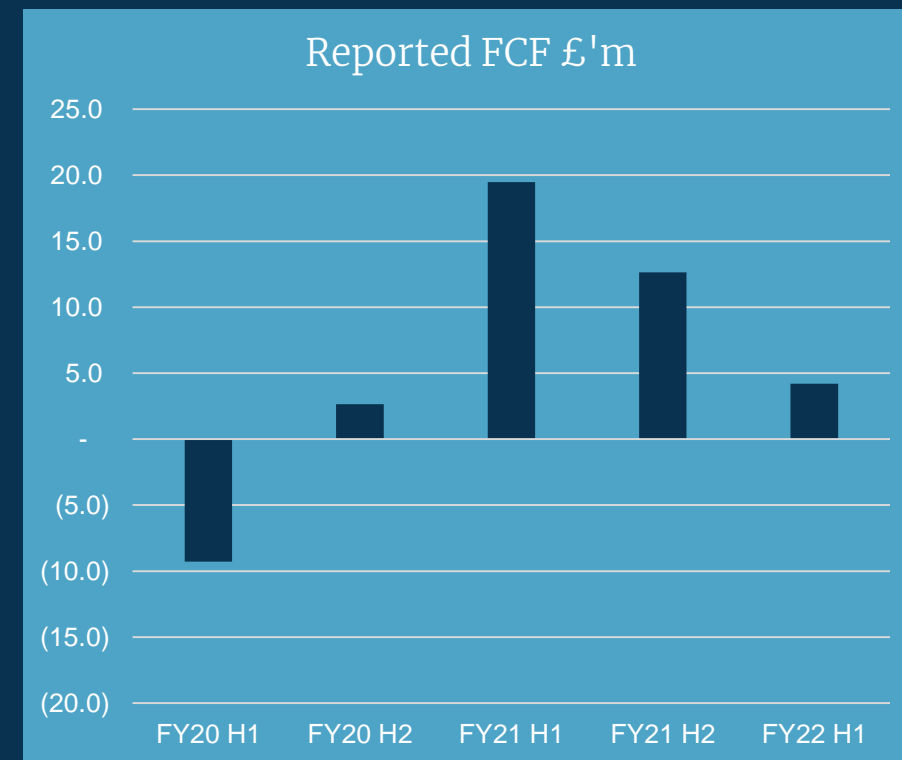
Lock-up days



Cash flow trends

Strong cash from operations, with some one-off outflows

	£m	£m
Net debt as at 31 October 2020		(58.5)
Cash from operations (excl. lease outflows)	54.0	
Lease outflows	(13.9)	
Cash from operations	40.1	
Capital Expenditure	(9.3)	
Dividend	(15.5)	
Interest & tax outflows	(8.4)	
FX	(0.9)	
Cash used for investing & financing	(34.1)	
Cash generated before non-recurring outflows		6.0
COVID repayments	(8.7)	
Acquisition outflows	(5.4)	
Closures outflows	(10.7)	
Non-recurring outflows		(24.7)
Net debt as at 31 October 2021		(77.2)



- HY22 FCF includes £5.4m outflow for Covid deferrals
- HY21 comparator benefits from £10.4m of deferrals and the post FY20 lockdown collections push
- The underlying trend would show a smoother pattern of cash generation
- Paydown of deferrals (see previous slide) strengthens balance sheet

Capital management framework



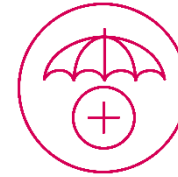
Dividends

- 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



Borrowings/Leverage

- Target to operate between 0.5 and 1x pre-IFRS 16 EBITDA
- Re-finance expected to complete in H2 for a £100m RCF over a 5 year term



M&A

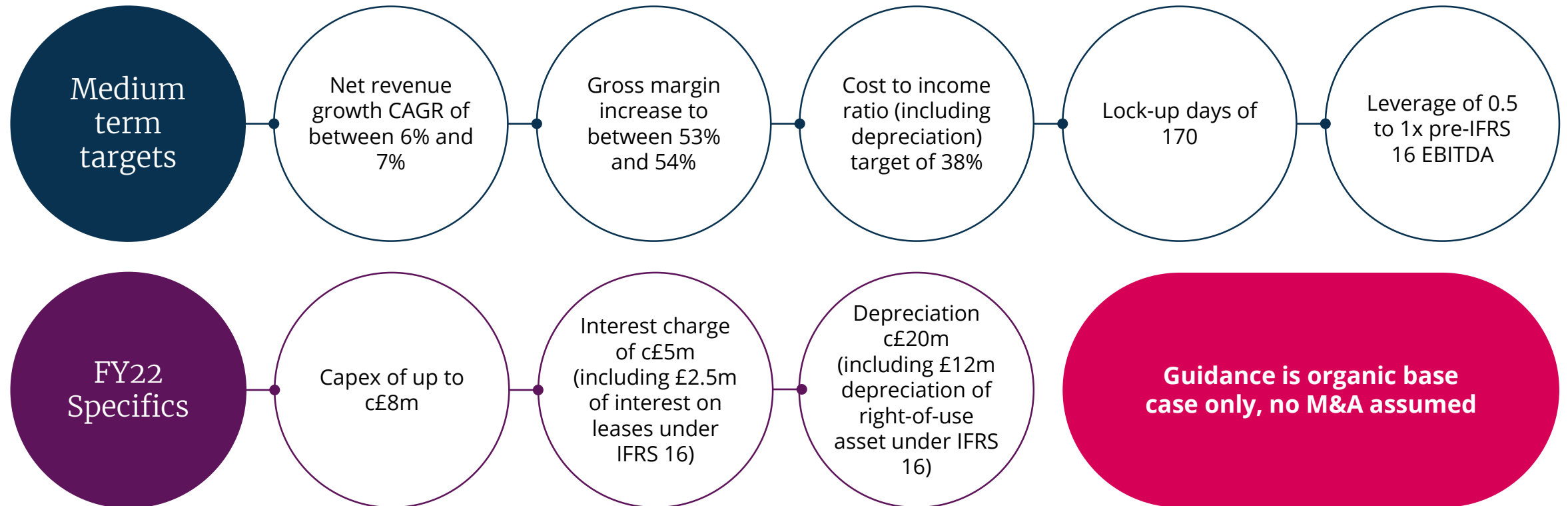
- Deployment of capital to support and accelerate our stated organic growth strategy
- Bolt-ons financed through own resources



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

Continued confidence in existing guidance



Financial Summary

HY22: Profitable growth, building on our FY21 transformation

Step change in profitability, with further progress on working capital and balance sheet strength



1. Strong activity levels supported **7% like for like net revenue growth**, with reported growth of **3%**.



2. Gross margin increased in all divisions for the second year running with **cost to income ratio continuing to improve**.



3. Increased adjusted PBT by **40%** and improved PBT margin. (Adjusted PBT margin: FY20 5%, FY21 10%, HY22 11%)



4. • A **15 day (8%) reduction in lock-up days versus PY** (and a 5 day reduction on April 21) reflects ongoing initiatives to improve working capital efficiency



5. Leverage (Post-IFRS 16) is reducing with HY22 **1.19x** compared to **1.44x** in the PY.



6. EPS* increased by **38%** to **4.7p**, with an interim dividend of **1.5p** in line with policy



Strategic update

Matthew Doughty

Who we are

a leading global provider of integrated legal and business services



Who we want to be



“

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

The opportunity: The \$750bn global legal services market is growing at 5% and it is transforming in a technology driven era, with the alternative legal services market growing at 15%.

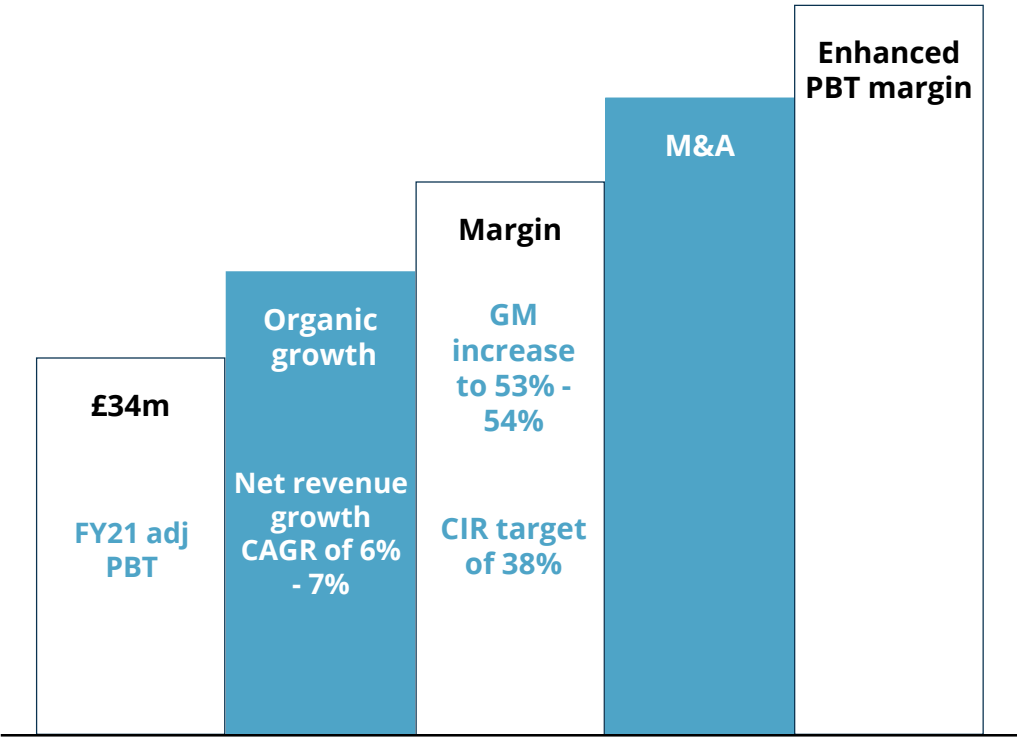
We must evolve our Integrated Legal Management (ILM) approach to ensure that our proposition continues to address client needs and deliver positive outcomes for them:

- A frictionless client experience – high quality, consistent and reliable across all services
- An innovative DWF solution to any client problem which is easy for the client
- Save client time and energy and add value

What does it mean for DWF?

- Integrated delivery through common sales, systems and processes across 3 divisions
- Data centric operating model
- Greater share of client spend
- Greater ability to innovate and deliver enhanced client solutions

Our long term profitable growth strategy



Pulse Survey Results



Highlights

- Responses show our values and purpose are embedded well
- Colleagues say they can be themselves, feel treated with dignity and respect and supported
- Confidence and trust in leadership is positive and above the industry benchmark of 80
- Manager support and work-life balance continue to improve



Engagement index

Increased to 76 (75 in Dec 2020) and is based on responses to questions relating to satisfaction, commitment and advocacy. Our Engagement Index target is 80+ both overall and by any theme, based on responses to the following three questions:

1. I would recommend this as a great place to work – **77 (up from 76)**
2. I rarely think about looking for a job elsewhere – **71 (no change)**
3. I am enthusiastic about my job – **79 (no change)**

Engagement index

76

+1



ESG Strategy

Kirsty Rogers

Our ESG strategy

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

Climate action

Becoming a net zero business within a low carbon economy

Diversity & Inclusion

Accelerating progress to improve representation and diverse talent pipelines

Empowering colleagues & our communities

Sustaining a skilled workforce today and for the future, continuing to prioritise colleague health & wellbeing, and taking action to help and collaborate with communities in need

Supporting & connecting with our clients

Being clear and transparent about how we can help clients to improve sustainability performance through an ESG centric approach

Acting with integrity in everything that we do

Taking ownership and holding ourselves accountable for the way we do business

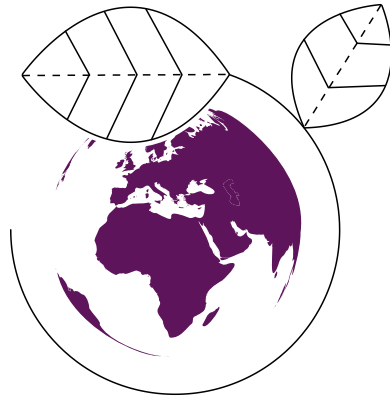
Building trust & increasing transparency

Enhancing the creditability of our own ESG disclosures will also set an example to others about our shared responsibility for people, profit and the planet

Our ESG Strategy – KPIs

Environment

Reduce Scope 1, Scope 2 and Scope 3 emissions by 50% by 2030*



*Targets have been submitted to Science Based Targets Initiative (SBTi) for verification

People

Increase the proportion of women on the PLC and Executive Boards to at least 40% by 2025, with the same target applying to the proportion of women in all senior management roles

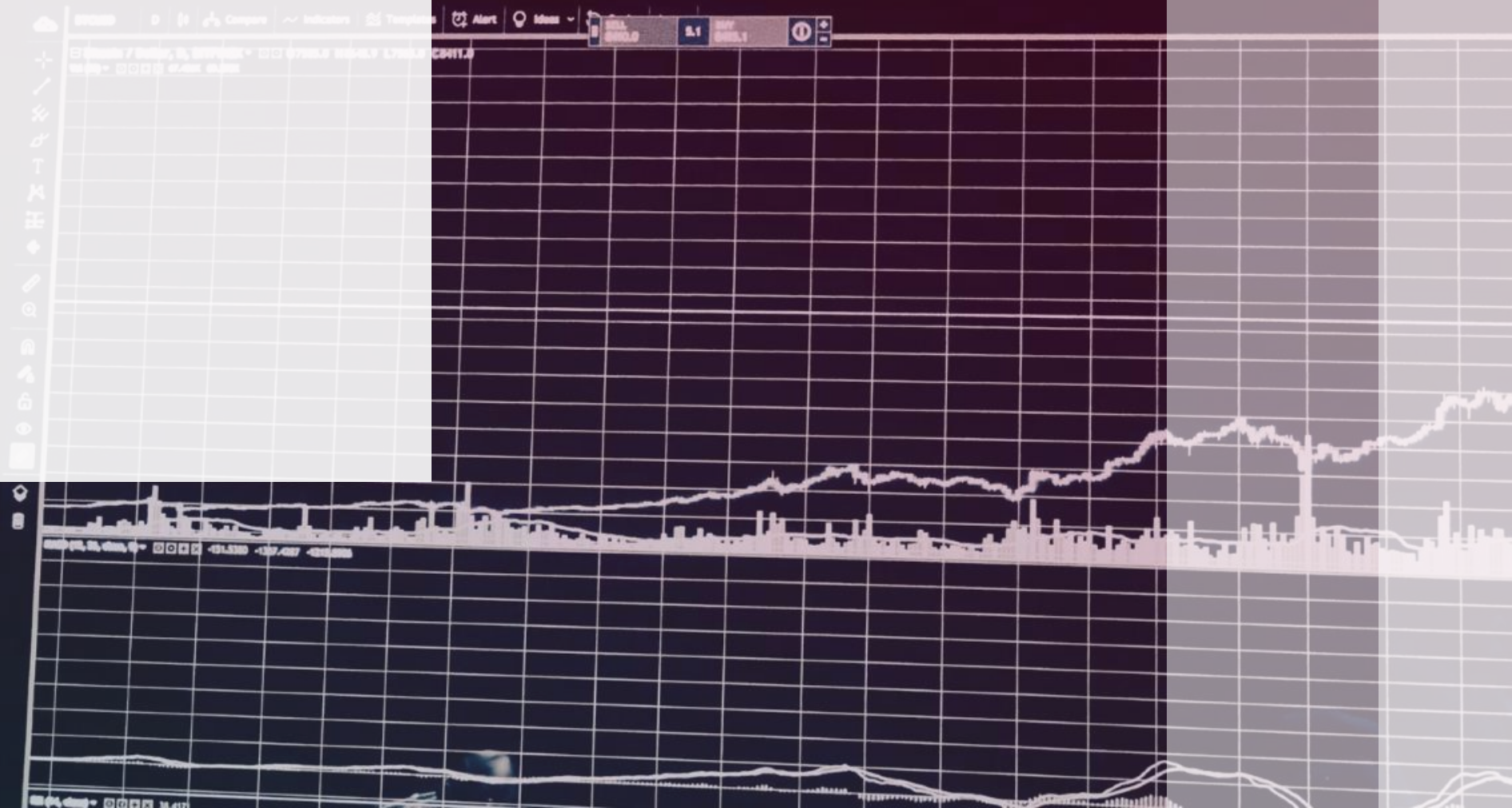
In the UK, increase the representation of Black, Asian and Minority Ethnic colleagues across senior management to at least 10% by 2025

In the UK, increase the representation of Black, Asian and Minority Ethnic colleagues across all career bands to at least 13% by 2025

In the UK, increase Black representation overall and in senior roles to at least 3% by 2025

Summary

Sir Nigel Knowles



Summary & Outlook

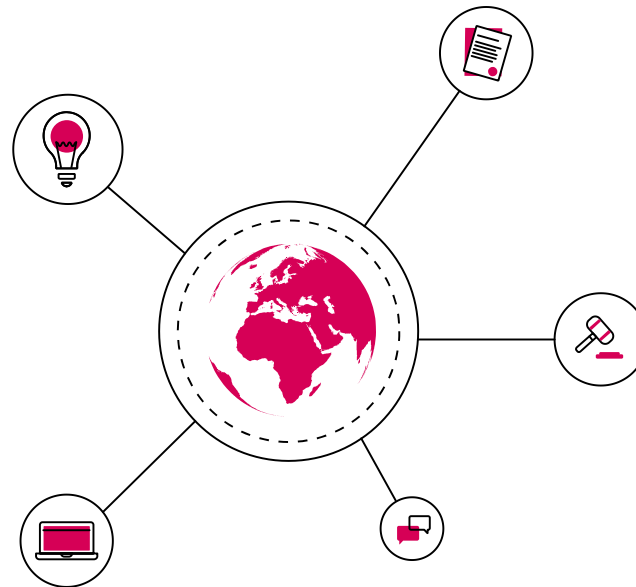
Outlook

“We are pleased with the progress made so far this year towards achieving the medium term target set out in July. We are therefore confident that we are on track to meet those objectives.”

Sir Nigel Knowles

No change to medium-term guidance

- Net revenue growth CAGR of 6-7%
- GM increase to between 53% and 54%
- Cost-to-income ratio target of 38%
- Lock-up days of 170
- Leverage of 0.5 to 1x pre-IFRS 16 EBITDA



Key takeaways:

- 01 Like-for-like revenue growth of 7%
- 02 Net revenue growth, margin increase and margin % improvement in all three divisions
- 03 ILM client proposition helping us to take market share
- 04 Gross Margin improvement of 1.7ppts
- 05 Adjusted PBT growth of 40%
- 06 15 day reduction in lock-up, 5 day reduction since April
- 07 Leverage reduces to 1.19x
- 08 ESG strategy launched

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 notepad with a red pen resting on it. The notepad has a red circular logo with the letters 'dwr' in white. The background is blurred, showing what appears to be a window or a wall with vertical lines.

Q&A



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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