DWF
HY23 Results

8 December 2022

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Agenda

1. **Introduction**
   Sir Nigel Knowles

2. **Financial Review**
   Chris Stefani

3. **Strategic Update**
   Matthew Doughty

4. **Summary & Q&A**
   Sir Nigel Knowles

Sir Nigel Knowles
Group Chief Executive Officer

Chris Stefani
Group Chief Financial Officer

Matthew Doughty
Group Chief Strategy Officer

Introduction

Sir Nigel Knowles

GROUP CEO HIGHLIGHTS

"We are pleased with our strong first half performance, achieved against a challenging macro-economic backdrop. We have grown net revenue by 3.4%, having won some significant mandates and retenders. This reflects our deepening relationships with our key clients and continued ability to attract high quality talent. We are confident about the outlook for the second half but are also executing an efficiency programme in order to bring more focus to the business, drive operational improvements and remove between £10-£12m of costs. In the meantime, our transaction with Whitelaw Twining in Canada reflects our ability to invest in areas core to our strategy."

Sir Nigel Knowles
Chief Executive Officer

Net Revenue growth of 3.4%

Adjusted PBT flat on strong PY

Adjusted Diluted EPS growth of 9%

Interim dividend increases by 7% to 1.6p*

*Policy is for interim dividend to be a third of prior year total

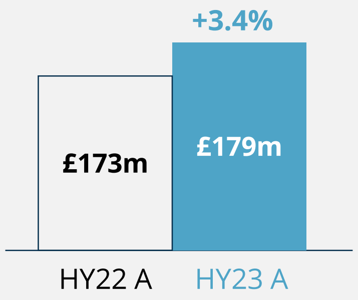
Financial Review

Chris Stefani

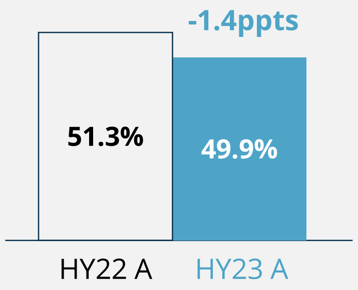
HY23 FINANCIAL HIGHLIGHTS

Encouraging results given sector cost pressure, versus a particularly strong prior year comparator

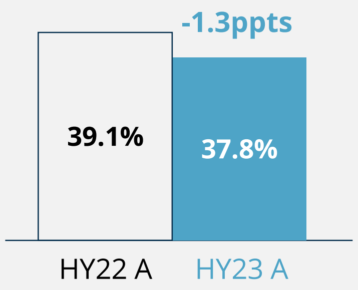
Net Revenue



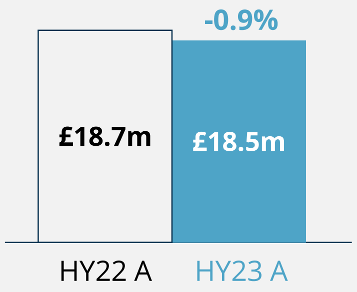
Gross Margin



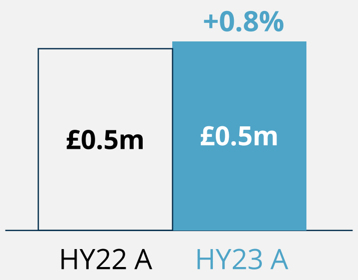
Cost to Income ratio*



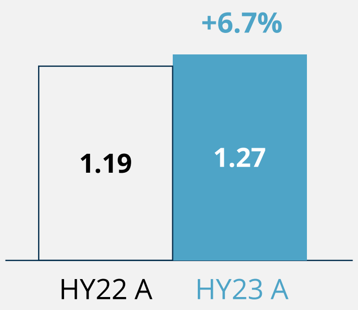
Adjusted PBT



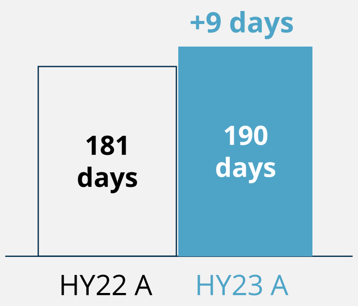
Revenue per Partner



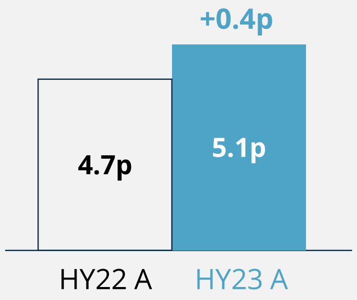
Leverage**



Lock up



EPS ^



HY23 interim dividend 1.6p (HY22 1.5p)

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

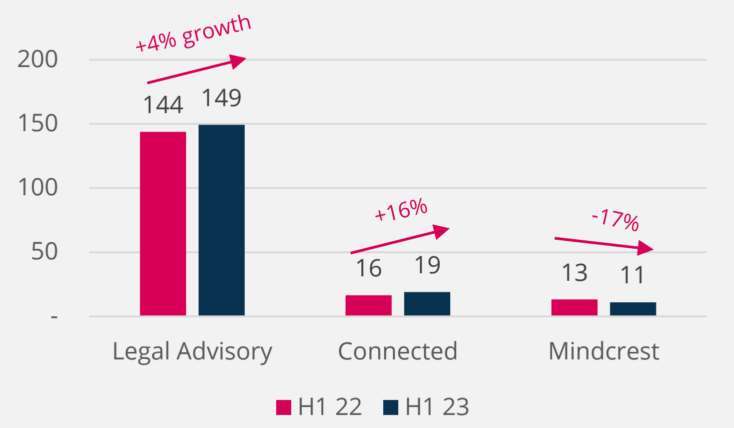
Net Debt is £86.5m (PY £77.2m)

Divisional Results

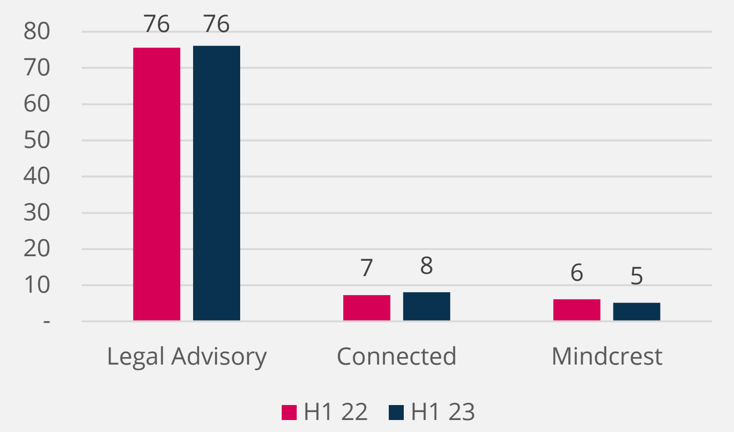
KEY HIGHLIGHTS

- Revenue growth in our two biggest divisions with margins in Legal Advisory & Connected slightly diluted as we invest in talent in H1
- Mindcrest has executed a divisional reorganisation as it refreshes its strategy to drive future organic growth

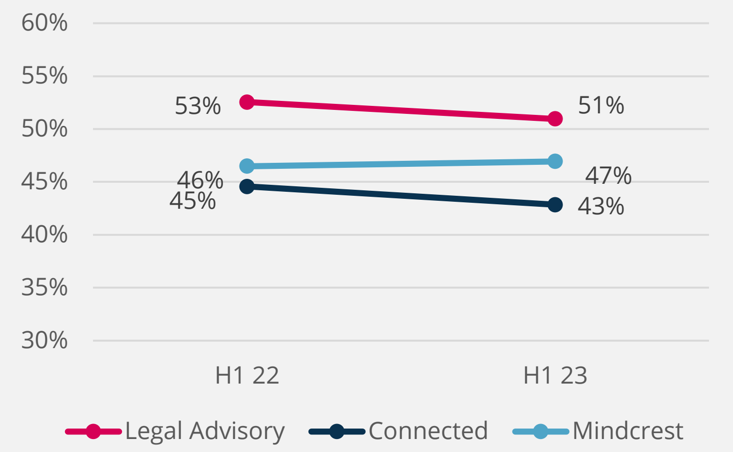
Net Revenue progression (£'m)



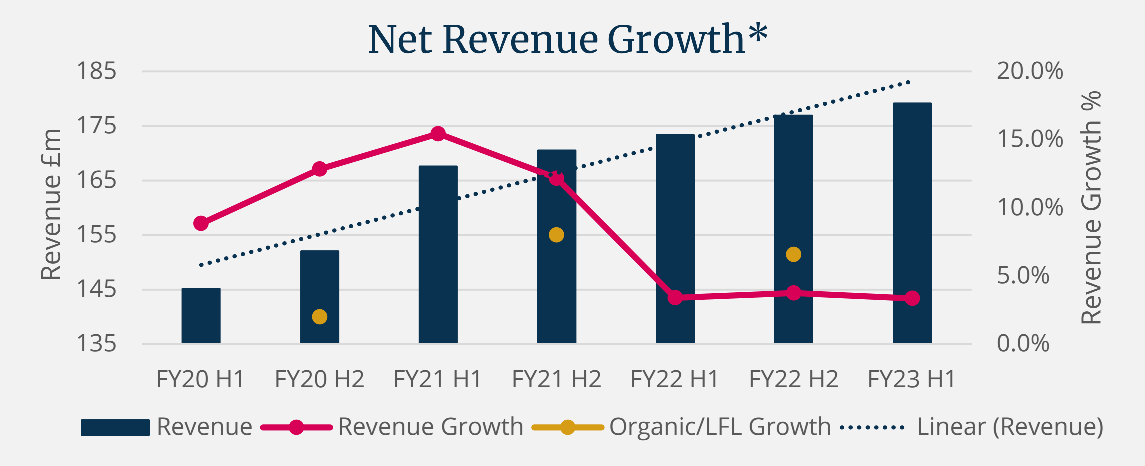
Segment gross profit (£'m)

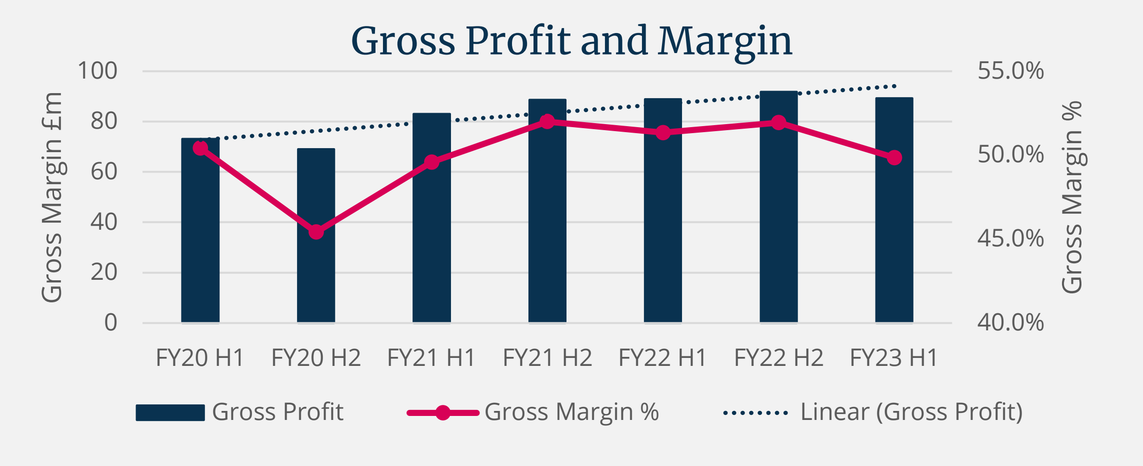


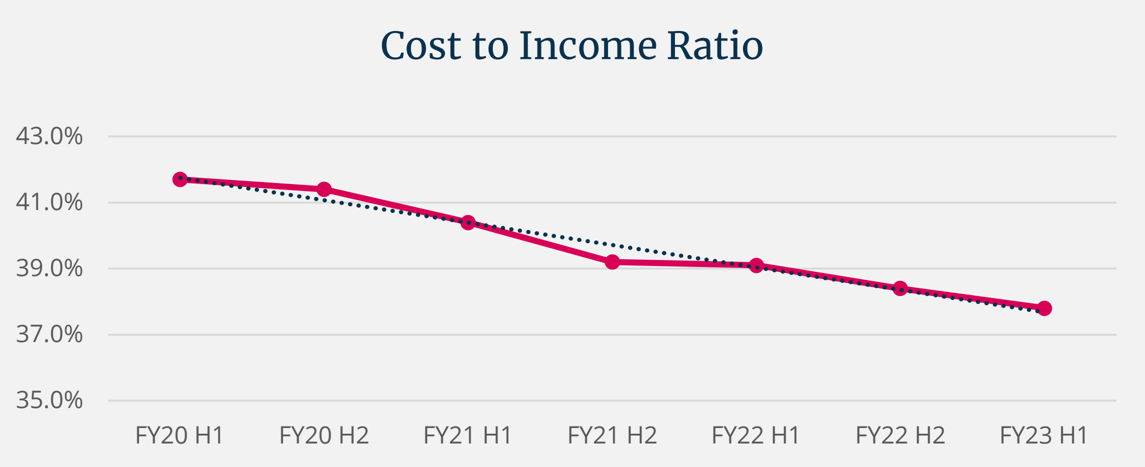
Segment gross margin

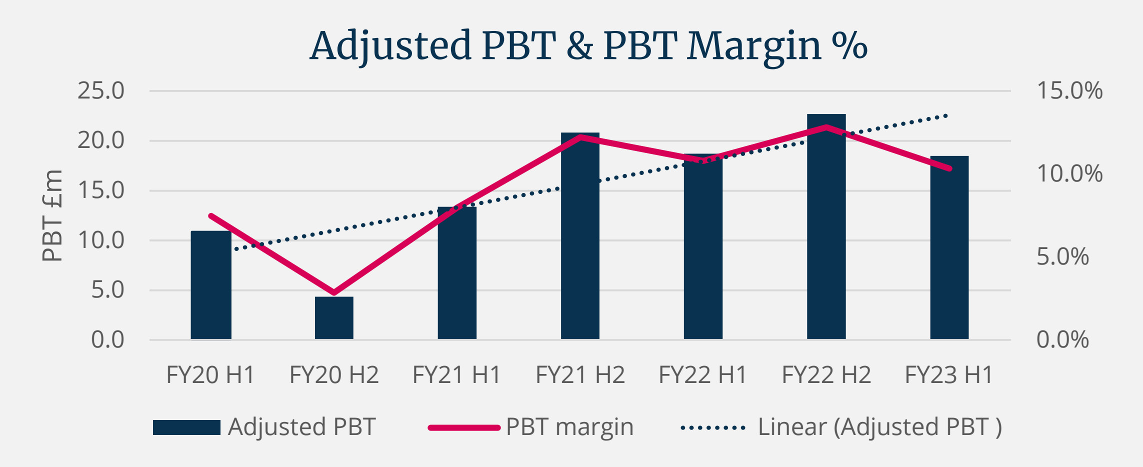


Income statement trends





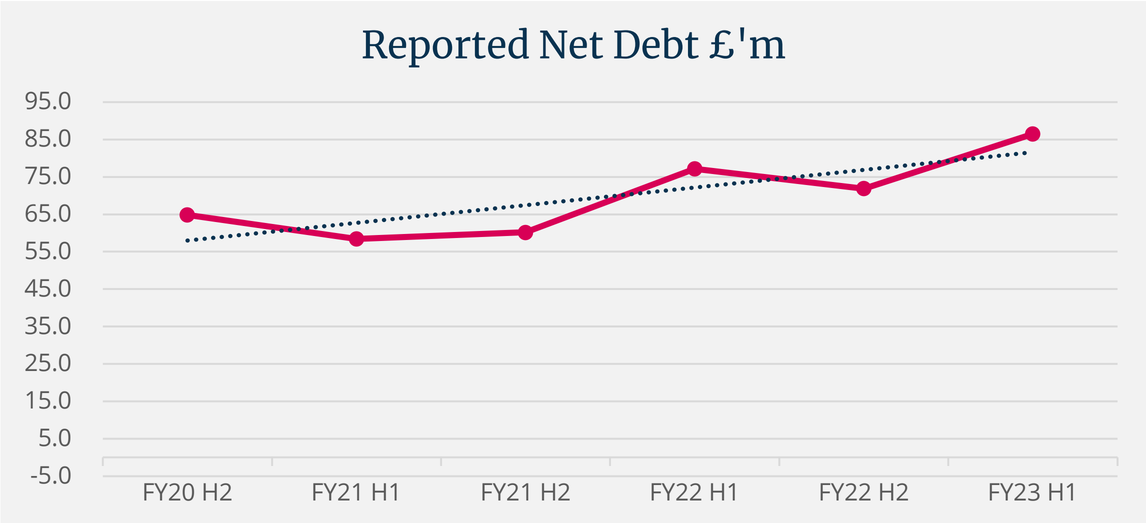


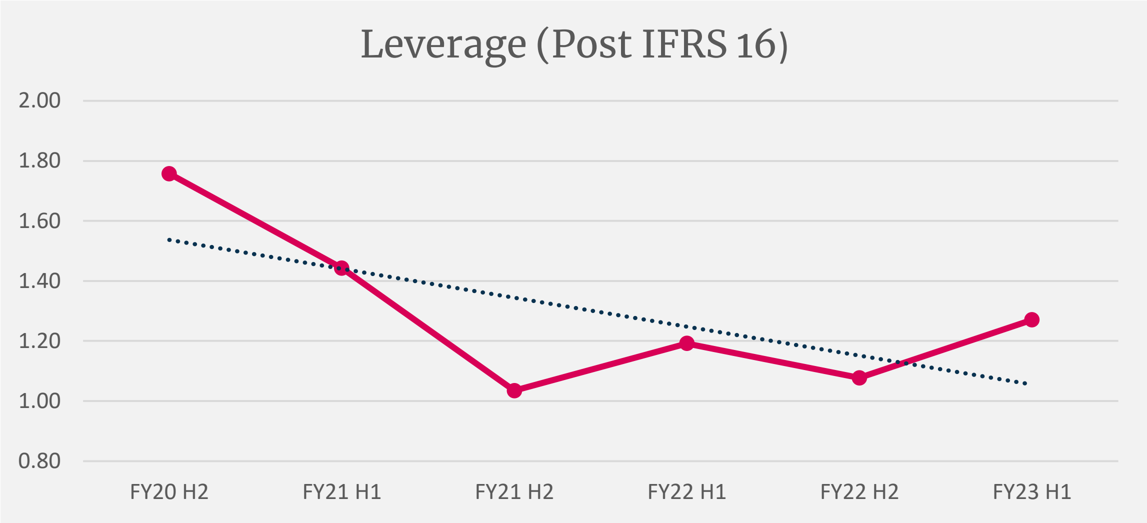


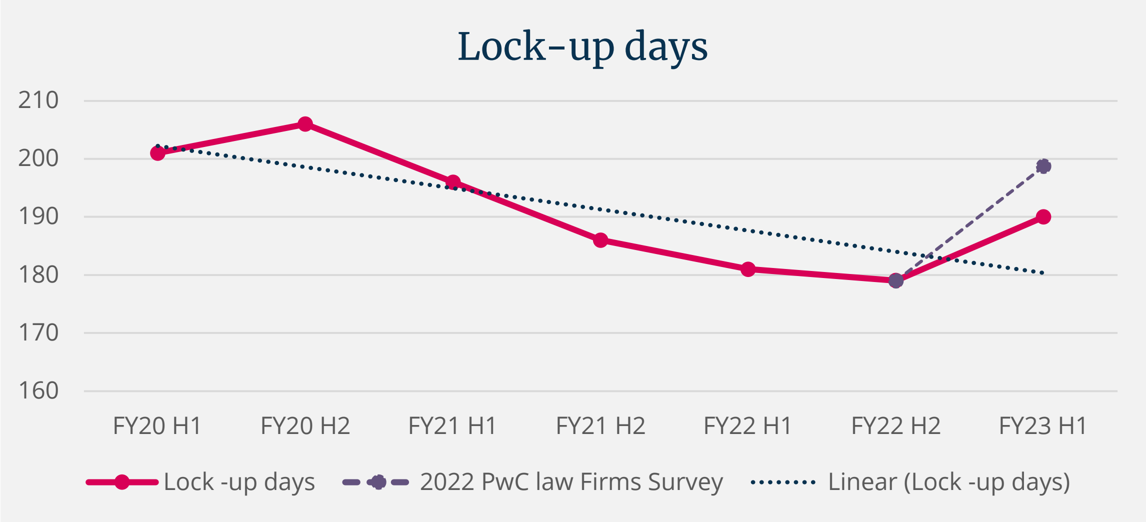
*Like-for-like growth excludes the impact of acquisitions but also removes the impact of restructured operations to aid year-on-year comparisons

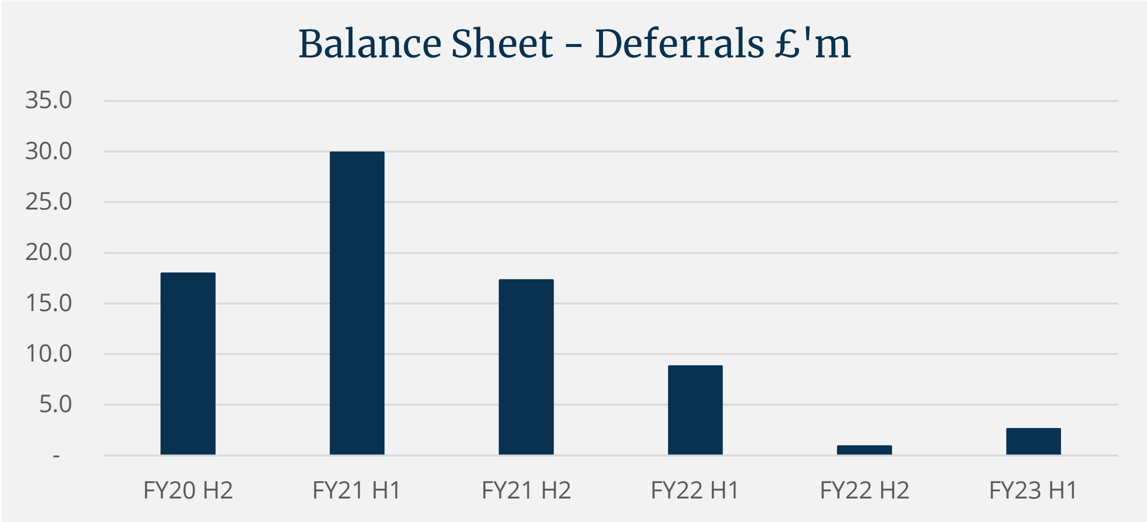
Revenue continues to grow, GM dilutes in H1 but is expected to improve in H2.
Cost to income ratio supports improving profitability

Balance sheet trends





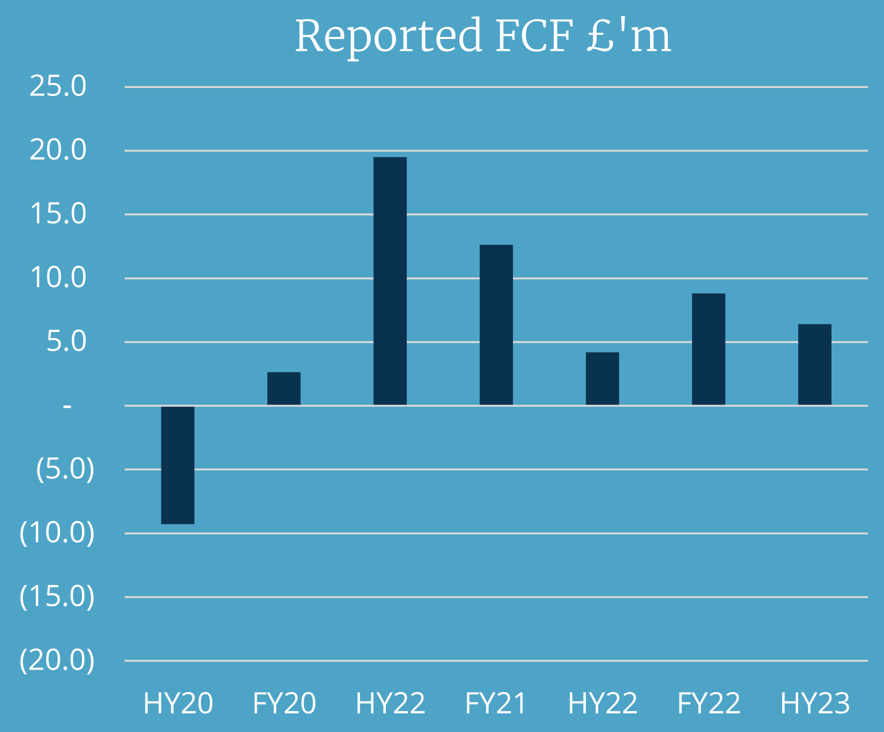




Balance sheet remains strong, but lockup increases albeit at lower rate than the sector

Cash flow trends

Free cash flows £'000	HY23	HY22	%
Operating cash flows before movements in working capital	32,278	31,299	3%
Net working capital movement	(12,960)	(14,028)	8%
Amounts due to members of partnerships in the Group	1,758	(1,001)	157%
Cash generated from operations before adjusting items	**21,076**	**16,270**	**23%**
Net interest paid	(2,844)	(2,393)	(16%)
Tax paid	(645)	(429)	(33%)
Repayment of lease liabilities	(7,345)	(6,331)	(14%)
Purchase of property, plant and equipment	(838)	(856)	2%
Purchase of other intangible assets	(3,007)	(2,068)	(31%)
Free cash flows	**6,397**	**4,193**	**34%**



- HY22 FCF includes £5.4m outflow for Covid deferrals
- HY23 includes £5.6m of outflow for M&A and closures
- The underlying trend shows a smooth pattern of cash generation after non-recurring cash-flows and working capital movements
- The Dividend for the FY reflects the retaining of cash for the acquisition of Acumension and Whitelaw Twining transaction.

Efficiency programme to protect and improve margins

Targeting annualised savings of between £10-£12m

Quality of Earnings	Remove non-core revenues	**(£2m-£3m)**
GM% Protection	Simplify management structures	**£1m**
	Manage capacity and productivity	**£2m**
Cost to Income Ratio Support	Premises Strategy	**£4m - £5m**
	Supplier Review	**£1m**
	Functional Initiatives	**£2m - £3m**

£10m -£12m

- Minor scale backs to remove non core revenues
- Target £10m-£12m with full run rate achieved by end of FY24
- One off execution cost of c.£3m

Financial Summary

HY23: Strong results in a turbulent economic environment

1. Continuing strong activity levels have supported continued **year-on-year net revenue growth,** despite one fewer working days vs a **very strong prior period**

2. Gross margin has decreased as we have continued to invest in our talent in H1 and invest for the future, with an **expectation of improvement in H2**

3. Cost to income ratio continues to reduce as we see the early effects of our premises strategy. In addition, the **efficiency programme** will drive operational efficiencies as we look to **further reduce cost to income ratio in the medium term**.

4. Adjusted PBT is flat vs the prior year, despite fewer working days, the inflationary environment and rising interest rates*. **Interim dividend increases to 1.6p**

5. Continued execution of our M&A strategy with the acquisition of **Acumension and Whitelaw Twining transaction,** the latter paid from funds from a lower FY22 dividend.

6. Net debt & Lock-up increase due to **sector-wide lockup stretch** and acquisitions but is expected to stabilise in H2

*The Group remains on track to deliver adjusted PBT in line with market expectations, adjusted for an additional £1m of interest costs due to unexpected base rate increases

Strategic Update

Matthew Doughty

Well positioned in a challenging market

An ambitious ESG strategy, aligned to our culture and supporting talent attraction and retention

SECTOR TRENDS

- Declining client confidence and demand for transactional services
- Inflationary cost pressure
- Reducing chargeable hours vs strong PY activity levels
- Clients putting pressure on lock-up days

40% Group revenue from insurance sector

60% Group revenue from litigation/regulatory capability

400 core clients represent 80% of Group revenue

>30 panel wins with the top 10 worth annualised revenue of c.£30m with a minimum contract term of 3 years for each

47% ILM penetration*

Net Promoter Score = 63

DWF PROPOSITION

- Global market **growth** driven by dispute/regulatory work
- Delivery model to satisfy client **demand** of "more for less"
- **ALSP** and **legal tech** solutions - a rapidly growing market
- **Differentiated** from competitors – integrated solutions

*A client is classed as an ILM client if it has billed >£25k in a 2nd division. ILM Billings are the total billings relating to that client. ILM Penetration measured as a % of overall revenue

DWF's market proposition

DWF's approach is to combine our offering to help our clients protect and mitigate against litigation and support them when litigation occurs

900 litigators globally

(Dispute Resolution, Insurance, Real Estate, Construction, Regulatory, Employment etc)

Complementary Connected Services

(Advocacy, Forensics, Adjusting, Claims, Risk, Zing, Costs, 360)

Supported by Mindcrest

(Process driven, increased resource plus technology)

Integrated Legal Management Solutions

(To drive growth and meet clients needs, with a focus on our core clients)

Whitelaw Twining

Strategic rationale and synergies

01.

Canadian market opportunity:

- Canada real GDP growth forecasted to be 3.4% in 2022
- Ontario, Alberta and British Columbia represent c.75% of Lloyd's GWP
- Canada is Lloyd's 3rd largest market behind US & UK

02.

Platform for growth of Legal Advisory division in North America, a growing market for DWF's key London insurance clients

03.

Enhances integrated legal and business services in Canada, complementing existing claims management and adjusting presence

04.

Diversifies and expands DWF's international presence with group businesses and associations in 19 countries

05.

Strong strategic and cultural fit with significant revenue and cost synergy opportunities

06.

Revenue synergy will be derived from:

- Strong client overlap among top 10 clients of DWF and WT
- Client white space in Legal Advisory – leading insurers in Canada for whom WT does not act and strong London Market relationships at WT which will strengthen DWF proposition
- Opportunity to capture internal referral income from DWF Claims (global referral rate now running at more than 50%)
- Promoting Mindcrest to existing and prospective WT clients

07.

Cost synergy will be derived from:

- Some back office integration between existing DWF Canada operations and WT
- Deploying Mindcrest resource to best-shore work over the medium term

SUMMARY

Sir Nigel Knowles

Why DWF, why now?

OUR VISION

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

Outlook

As we look ahead, we see the benefits of having both a global footprint and an established, diversified set of services through which we can provide solutions to the issues which our clients face. Given the clear counter cyclical qualities of many of our services, such as our litigation and regulatory offerings, and the short to medium term benefit we will see through our efficiency programme, we maintain confidence in the outlook for the second half and beyond.

Strategy: Integrated Legal Management

Legal Advisory, Mindcrest and Connected Services

Financial

HY23 flat on strong PY, full year outlook confident

Selective M&A

Resumed and more to come

Defensive revenues

Litigation focus and recurring Insurance weighting

Embedded organic opportunity

Focus on 400 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.

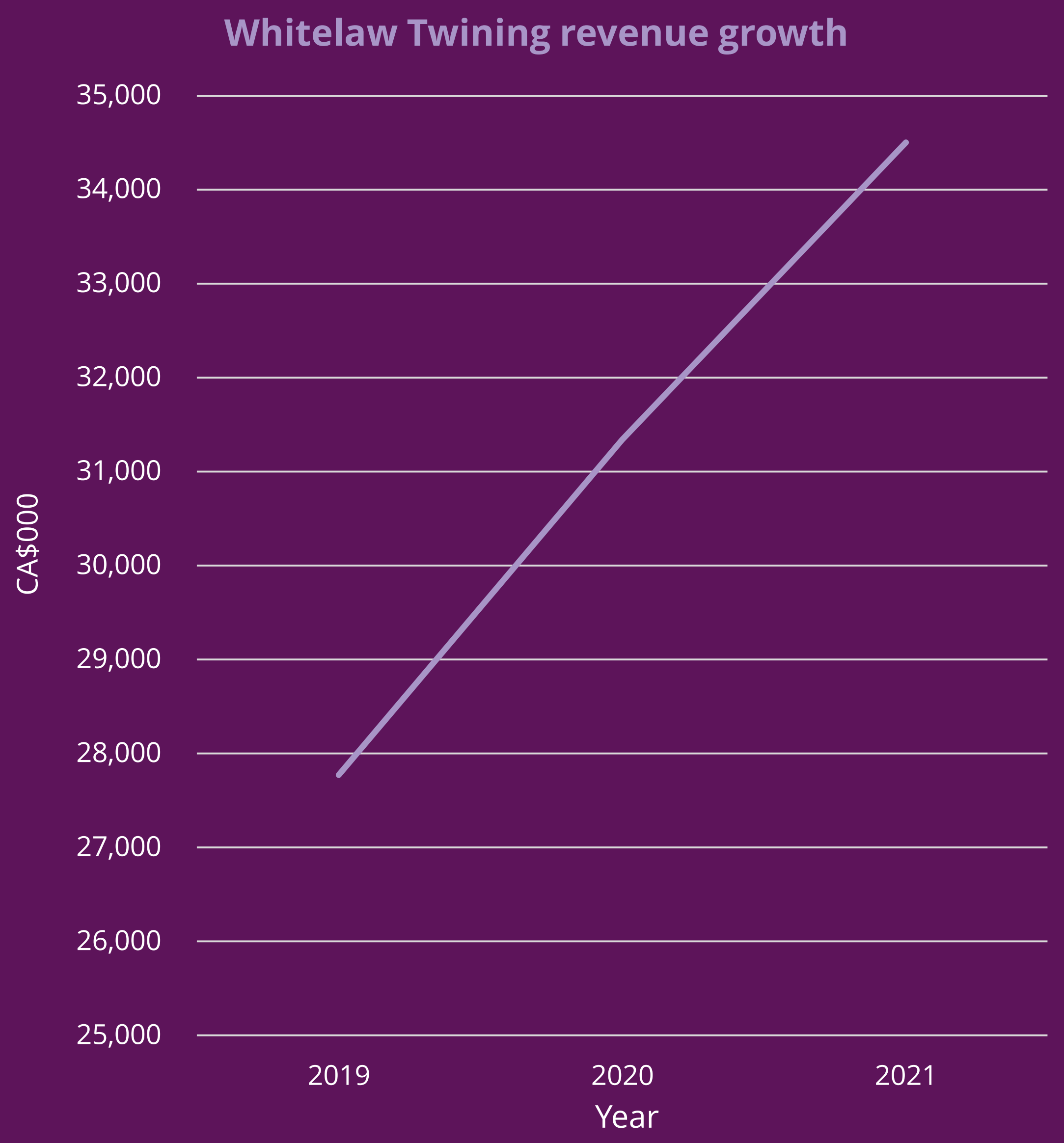
Q&A

Appendices

Whitelaw Twining

Background

- Founded in Vancouver in 1979 and opened in Calgary, Alberta in 2017
- Approximately 200 people including 16 partners; 155 other fee earners
- Insurance litigation focused (c. 81% of revenue) with a growing commercial litigation practice
- Revenue of $34.5m; adjusted EBITDA of $5.3m in 2021
- Significant client overlap with DWF with 3 of each business's Top 10 clients in common
- Multi-year SLA's with large London and local insurers means significant repeat revenue
- Ranked as a Top 10 insurance defence boutique by Canadian Lawyer
- Strong recent growth with revenue CAGR between 2019 and 2021 of 12.8%



Whitelaw Twining - Deal terms

01.

Enterprise value of CA$42.6m (£27.7m) with consideration of up to CA$26.0m (£16.9m), payable in shares and cash, and debt of CA$16.6m (£10.8m) to be assumed or repaid

02.

Shares of up to CA$20.8m (£13.5m) to be issued to the partners with an additional CA$0.8m (£0.5m) of shares to incentivise non-partner employees[1]

03.

Share consideration is subject to a 5-year lock-up period with leaver and claw back provisions in line with other DWF partners

04.

Cash consideration of CA$4.4m (£2.9m) payable in February 2023

05.

Debt of CA$16.6m (£10.8m) includes CA$5.9m (£3.8m) of external debt that will be assumed and CA$10.7m (£7.0m) of shareholder debt that will be repaid

06.

Shareholder debt of CA$9.2m (£6.0m) repaid on completion and CA$1.5m (£1.5m) in February 2023. Shareholders will contribute partner capital of CA$2.0m (£1.3m) to the Group by February 2023

1. Share consideration of CA$17.8m / £11.5m (16,504,757 shares) to be issued on 3 Jan 2023 and up to $3.0m / £2.0m (2,748,960 shares) to be issued in February 2023 provided certain financial targets and criteria are met. Employee share plan to receive 738,973 shares or cash equivalent.

Statutory tables

Income statement £'m	HY23	HY22
Revenue	179.1	173.3
Direct costs	(89.8)	(84.3)
Gross profit	**89.3**	**89.0**
Gross margin	49.9%	51.3%
Administration expenses	(73.3)	(75.4)
Operating profit	**16.0**	**13.6**
Interest payable	(3.1)	(2.6)
Profit before tax	**12.9**	**11.0**
Tax	(0.7)	(2.0)
Profit after tax	**12.2**	**9.1**
Adjusted profit before tax	18.5	18.7

Adjusted EBITDA £'000	HY23	HY22
Operating profit	**16,020**	**13,587**
Depreciation of right-of-use assets	6,883	6,394
Other depreciation and amortisation	3,803	3,687
Total of adjusting items	**5,572**	**7,631**
Adjusted EBITDA	**32,278**	**31,299**

Adjusted PBT £'000	HY23	HY22
Profit before tax	**12,910**	**11,028**
Adjusting items:		
Amortisation of intangible assets – acquired	1,926	2,513
Impairment of intangible assets	-	-
Impairment (reversal) / expense of tangible and right of use assets	-	(593)
Non-underlying items	1,548	1,052
Share-based payments expense	2,098	4,659
Total of adjusting items	**5,572**	**7,631**
Adjusted PBT	**18,482**	**18,659**

Cost to income ratio £'000	HY23	HY22
Net revenue	179,130	173,308
Administrative expenses	73,298	75,399
Total of adjusting items	(5,572)	(7,631)
Less: re-financing costs included in adjusting items	-	-
Adjusted administrative expenses	**67,726**	**67,768**
Cost to income ratio	**37.8%**	**39.1%**

Net Debt bridge FY22 to HY23

		£m	
Net debt as at 30 April 2022			**(71.8)**
Cash from operations (excl. lease outflows)	14.9		
Lease outflows		(7.3)	
Cash from operations	**7.6**		
Capital Expenditure		(3.8)	
Dividend		(9.8)	
Interest & tax outflows		(3.5)	
FX	0.5		
Cash used for investing & financing		**(16.7)**	
Cash generated before non-recurring outflows			**(9.1)**
Covid deferrals		-	
Acquisition outflows*		(3.6)	
Cash for closures		(2.0)	
Non-recurring outflows			**(5.6)**
Net debt as at 31 October 2022			**(86.5)**

*Acquisition outflows includes a advisory fees in relation the purchase

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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