DWF HY21 Interim Results

10 December 2020

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Agenda

1	**Welcome** Sir Nigel Knowles
2	**Financial Review** Chris Stefani
3	**Operational Review** Sir Nigel Knowles & Matthew Doughty
4	**Conclusion** Sir Nigel Knowles
5	**Q&A**

Sir Nigel Knowles
Chief Executive Officer

Chris Stefani
Chief Financial Officer

Matthew Doughty
Chief Operating Officer

Welcome

HY21 – recovery in activity levels, profit and working capital, with a strong pipeline

1. **15% H1 revenue growth; organic growth of 3%**
2. Very strong profit growth – **adjusted PBT for H1 close to full year FY20 comparator** – driven by more rigorous cost controls
3. Net debt and lock-up coming down from April 20 highs, with **opportunity for further lockup improvements**
4. Our focus on a **one team culture and global mind-set** is driving more connectivity internally and with clients
5. Our **integrated legal and business services offering** is resonating with clients and generating a strong pipeline
6. **Successful, limited partner share sell down** in September
7. Managed Services has integrated Mindcrest and is generating **revenue and margin opportunities as it scales**
8. We have an **increasing confidence in the FY21 full-year outturn**
   - Good November trading
   - A strong sales pipeline
   - Recent or imminent lateral partner joiners
   - Trading environment stabilising
   - Annualised cash savings of c.£0.6m from FY22 as we start to implement a new property strategy
9. **Interim dividend of 1.50p payable on 5 March 2021**

Financial Review

Chris Stefani

Financial highlights

HY21: Positive progression on all measures

Revenue	Gross Margin	Cost/Inc.	Adjusted EBITDA	Adjusted PBT	Lock-up days	Net debt
£167.6m	**49.6%**	**40.4%**	**£24.7m**	**£13.4m**	**196 days**	**£58.5m**
+15.4%	*-0.8 ppts*	*-1.3 ppts*	*+17.1%*	*+23%*	-5 days	+£8.9m
	*+1.7 ppts***	*-1.0 ppts***			*-10 days***	*-£6.4m***

Positive progression on revenue, profit and working capital with strong pipeline for H2

* Unaudited figures – variances stated relative to 31 October 2019 unless otherwise indicated
** Variances stated relative to 30 April 2020

FY20 Recap: A challenging H2 with material COVID-19 impact which diluted the full year results

Revenue	Gross Margin	Cost/Inc.	Adjusted EBITDA	Adjusted PBT	Lock-up days	Net debt
£297.2m	**47.9%**	**41.4%^**	**£36.9m**	**£15.2m**	**206 days**	**£64.9m**

Double digit revenue growth, but H2 organic performance on revenue and profit materially supressed by COVID-19

^ Re-presented from 42.6% to align for the impact of IFRS 16 – Leases

Income statement

HY21: Strong first half performance

£m (unless otherwise stated)	Half Year HY21	HY20	Variance £m	Variance %	Full Year FY20
Revenue	**167.6**	**145.2**	**22.4**	**15 %**	**297.2**
Direct costs	(84.4)	(72.0)	(12.4)	(17)%	(155.0)
Gross profit	**83.1**	**73.2**	**9.9**	**14 %**	**142.2**
Gross profit margin	49.6 %	50.4 %	n/a	(0.8)ppts	47.9 %
Adjusted administrative expenses	(67.6)	(60.5)	(7.1)	(12)%	(123.1)
Cost to income ratio	40.4 %	41.7 %	n/a	(1.3)ppts	41.4 %
Add back: depreciation and amortisation	9.2	8.4	0.8	10 %	17.8
Adjusted EBITDA	**24.7**	**21.1**	**3.6**	**17 %**	**36.9**
Net finance costs (including lease costs)	(2.1)	(1.8)	(0.3)	16 %	(4.0)
Adjusted PBT	**13.4**	**10.9**	**2.5**	**23 %**	**15.2**
Adjusting items:	(24.4)	(2.8)	(21.6)		3.0
Share based payment expenses	(9.5)	(4.4)	(5.1)		(12.6)
Non-underlying items - other	(7.8)	-	(7.8)		(1.0)
Non-underlying items - acquisition related	(7.1)	1.6	(8.7)		16.5
Reported PBT	**(11.0)**	**8.0**	**(19.1)**		**18.2**
Taxation	(0.5)	(1.4)	0.8		(3.6)
Reported PAT	**(11.6)**	**6.7**	**(18.3)**		**14.6**
Adjusted diluted EPS	3.6 p	2.9 p	0.6 p	24 %	3.0 p
Dividend per share	1.50 p	1.25 p	0.25 p	20 %	3.25 p

- 15% revenue growth (3% organic)
- Direct cost progression is primarily acquisition driven – some cost savings still to impact
- 14% gross profit increase despite diluted, but improving, GM%
- Admin expenses also impacted by acquisitions
- Adjusted PBT and EPS over 20% up on prior year
- Progressive dividend underscores confidence in trading performance

Cash flow

HY21: Strong first half performance

£m (unless otherwise stated)	Half Year HY21	HY20	Variance £m	Variance %	Full Year FY20
Adjusted EBITDA	**24.7**	**21.1**	**3.6**	**17 %**	**36.9**
Discontinued impact	-	(0.8)	0.8		(4.6)
Movement in working capital – Trade & other receivables	3.4	(4.9)	8.3		(18.7)
Movement in working capital – Trade & other payables	(1.1)	(9.1)	7.9		15.4
Payments to partners in the group	6.0	(2.2)	8.1		(4.8)
Lease liability payments	(6.6)	(6.1)	(0.6)		(12.7)
Operating cash flow	**26.3**	**(2.0)**	**28.3**	**1415 %**	**11.5**
Net finance costs paid	(2.1)	(1.8)	(0.3)		(4.2)
Tax paid	(0.4)	(3.0)	2.6		(4.3)
Net capex	(4.1)	(2.5)	(1.6)		(7.6)
Free cash flows	**19.6**	**(9.2)**	**29.0**	**314 %**	**(4.6)**
Dividends paid	-	(2.7)	2.7		(9.8)
Net repayment of capital to partners	-	(0.2)	0.2		2.6
Acquisition related outflow	(12.4)	(0.5)	(11.9)		(15.6)
Non-underlying items paid	(1.0)	(1.6)	0.5		(1.7)
Change in net debt	**6.3**	**(14.3)**	**20.6**	**144 %**	**(29.1)**
Brought forward net debt	(64.9)	(35.3)	(29.6)		(35.3)
FX / loan fee	0.1	0.1	0.1		(0.5)
Carried forward net debt	**(58.5)**	**(49.5)**	**(8.9)**	**(18)%**	**(64.9)**

- Improved profitability will flow through to cash
- Inflow from lock-up versus prior year outflow reflects lock-up day improvement
- Payables and payments to partners reflect COVID-19 deferrals which will unwind in H2
- Capex reflects important investment in Pune
- FCF, even excluding deferrals, reflects a material turnaround in performance
- Net debt reduction despite weight of acquisition outflows

Insurance

A good first half performance given the significant reduction in claims due to the COVID-19 lockdown and local restrictions

Insurance	FY21 Half Year			
£m	HY 2020/21	HY 2019/20	Var. £m	Var. %
Revenue	**51.5**	**50.2**	**1.3**	**3 %**
Direct cost	(25.9)	(25.6)	(0.3)	(1)%
Gross profit	**25.6**	**24.6**	**1.0**	**4 %**
Gross margin	*49.7%*	*49.0%*		*0.7 ppts*

Organic HY21 Revenue
£51.5m
+3%

Organic HY21 Gross margin
49.7%
+0.7ppts

- 3% organic revenue growth with an emerging pipeline of work, including COVID-19 related claims.
- Improvement in GM as mix of instructions moves towards more complex work.
- Double impact of reduced claims volumes and delay in concluding claims due to Court process delays, also impacts lock-up.
- 29% growth in the Professional Indemnity & Commercial insurance team.
- Lateral hire investments including launch of Southampton office.
- Revenue per partner is £645k, 8% up on PY.

Improving instruction levels, new sources of work and a strong contribution from the complex areas should support H2 activity

Commercial & Managed Services

Activity levels recovering after suffering the most material COVID-19 impact of any division

Commercial and Managed Services	FY21 Half Year			
£m	**HY 2020/21**	**HY 2019/20**	**Var. £m**	**Var. %**
Revenue	**63.0**	**58.7**	**4.3**	**7 %**
Direct cost	(27.4)	(24.9)	(2.6)	(10)%
Gross profit	**35.6**	**33.9**	**1.7**	**5 %**
Gross margin	*56.5%*	*57.7%*		*(1.2) ppts*

Organic HY21 Revenue
£58.1m
+0%

Organic HY21 Gross Margin
56.8%
-1.5ppts

- Organic revenues flat on prior year, but with a strong pipeline and an improving trajectory.
- Litigation performing well and demonstrating counter-cyclical characteristics. Transactional activity also holding up well.
- GM% still slightly behind prior year, but cost reduction measures have been implemented to right-size the division
- Positive engagement with Managed Services, with a view to transitioning and right-shoring work, bringing efficiencies and helping to broaden client relationships.
- Revenue per partner is £473k, 7% up on PY.

Enhanced gross margin expected for H2, with a strong pipeline of work and cost saving actions taking effect

Connected Services

Strong performance across the division with material organic growth, supported by internal referrals

Connected	FY21 Half Year			
£m	**HY 2020/21**	**HY 2019/20**	**Var. £m**	**Var. %**
Revenue	**12.8**	**10.8**	**2.1**	**19 %**
Direct cost	(7.3)	(6.8)	(0.5)	(8)%
Gross profit	**5.5**	**4.0**	**1.6**	**40 %**
Gross margin	*43.1%*	*36.9%*		*6.2 ppts*

Organic HY21 Revenue
£12.8m
+19%

Organic HY21 Gross margin
43.1%
+6.2ppts

- 19% organic growth with particularly strong demand for Claims and Adjusting services.
- Material improvement in margin as division matures and operational improvement initiatives deliver benefit.
- Integrated solution to managing COVID-19 business interruption claims has driven significant revenue growth in Claims Management & Adjusting and Forensic.
- New services gaining traction, generating internal referrals and internationalising
- Revenue per partner is £679k, 7% down on PY due to investment in partners.

Strong revenue growth and margin improvement as the business scales, with plenty of runway to continue growing

International

Material revenue growth with Spain (RCD acquisition) performing well and making a material contribution

International	FY21 Half Year			
£m	HY 2020/21	HY 2019/20	Var. £m	Var. %
Revenue	**40.3**	**25.5**	**14.7**	**58 %**
Direct cost	(23.8)	(14.7)	(9.1)	(62)%
Gross profit	**16.4**	**10.8**	**5.7**	**53 %**
Gross margin	*40.9%*	*42.2%*		*(1.3) ppts*

Organic HY21 Revenue
£25.1m
+3%

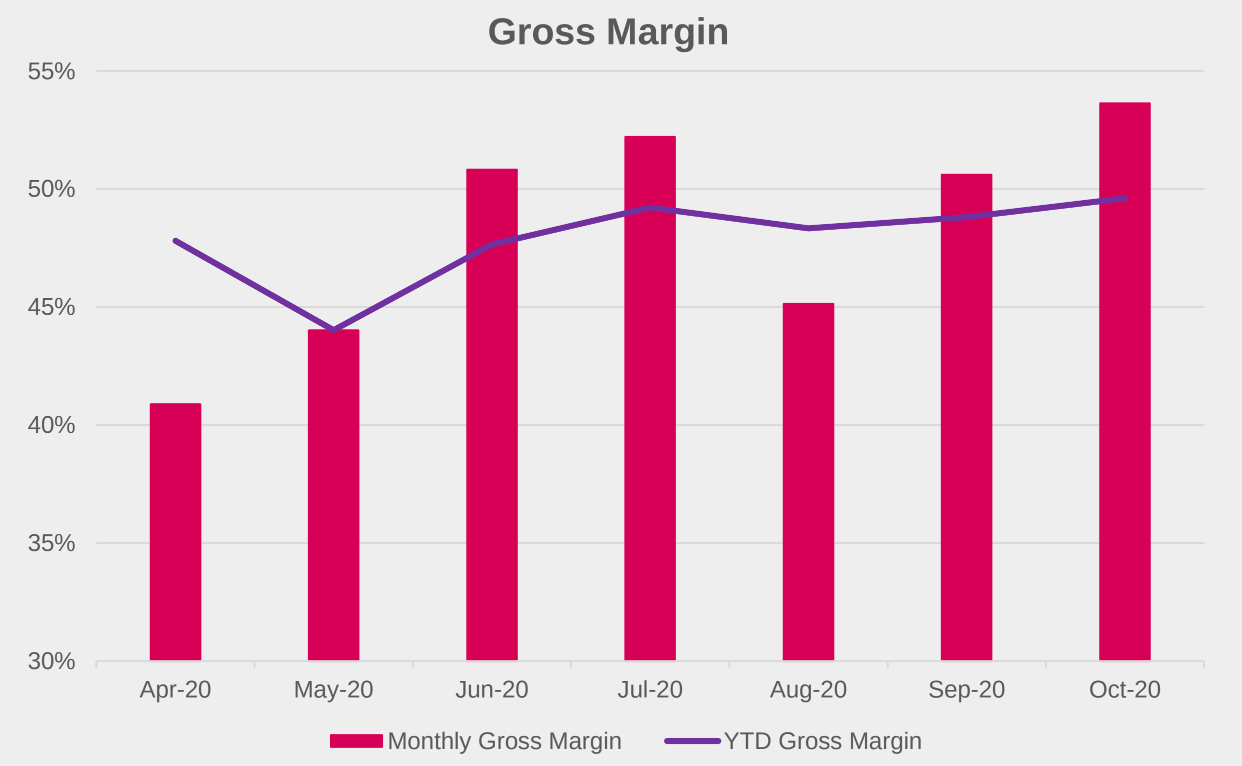
Organic HY21 Gross margin
42.7%
-1.1ppts

- 58% revenue growth, 3% organic, with GM% development reflecting latent capacity and notice periods for exits.
- Australia, Spain and Poland represent almost 70% of International revenues and are key locations for growth opportunities.
- After restructuring signposted in July, the scaled back Dubai office is now the highest margin International business.
- Selective partner investments being made, with focus on reshaping the German business.
- Revenue per partner is £291k, 3% up on PY and reflects latent capacity.

Growth underpinned by strong performance of DWF-RCD in Spain, with organic performance improving

Cost savings & GM trajectory

Q4 FY20 saw material margin deterioration due to COVID-19, prompting £15m of cost savings (excluding discontinued operations)



FY20 Gross Margin **47.9%**

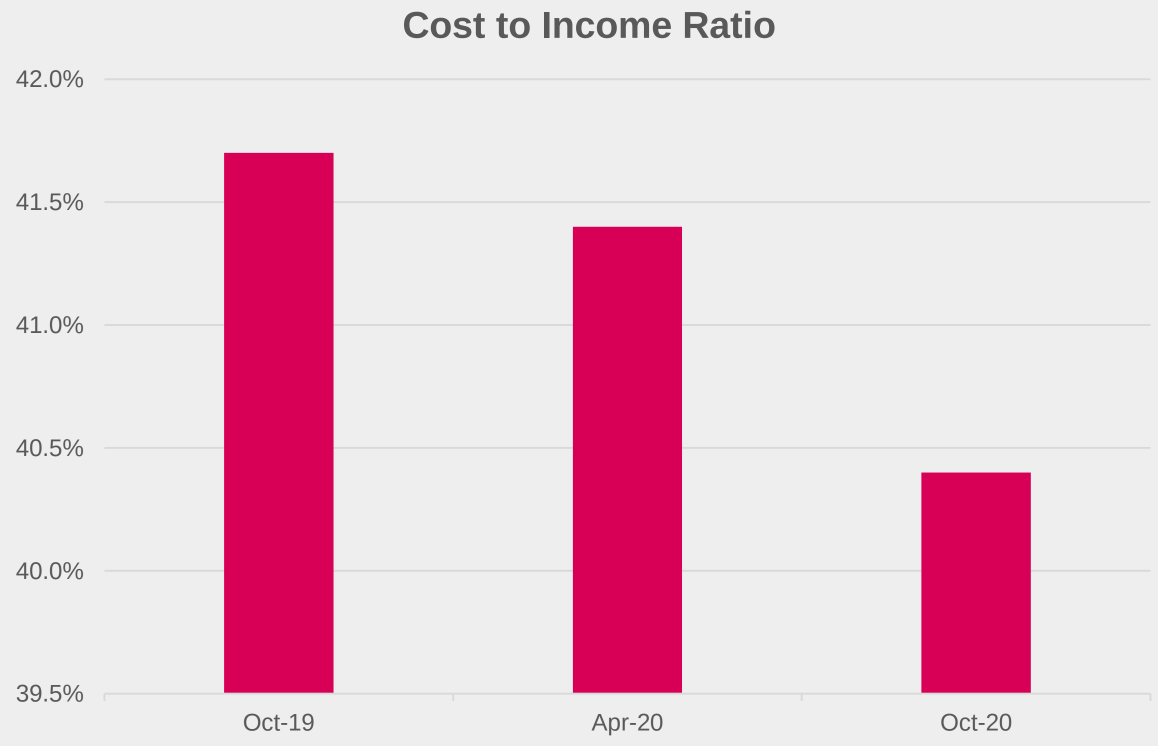
HY21 Gross Margin **49.6%** *+1.7 ppts*

- 0.8 ppts reduction since HY20
- Strong recovery from COVID-19 impact at back end of FY20
- Cost initiatives in progress

FY21 margin is improving but is still slightly behind prior year as cost reductions do not take immediate effect

Cost to income improvement

Cost to income ratio continues to improve following a programme of cost saving initiatives



FY20 Cost/Inc. **41.4%**

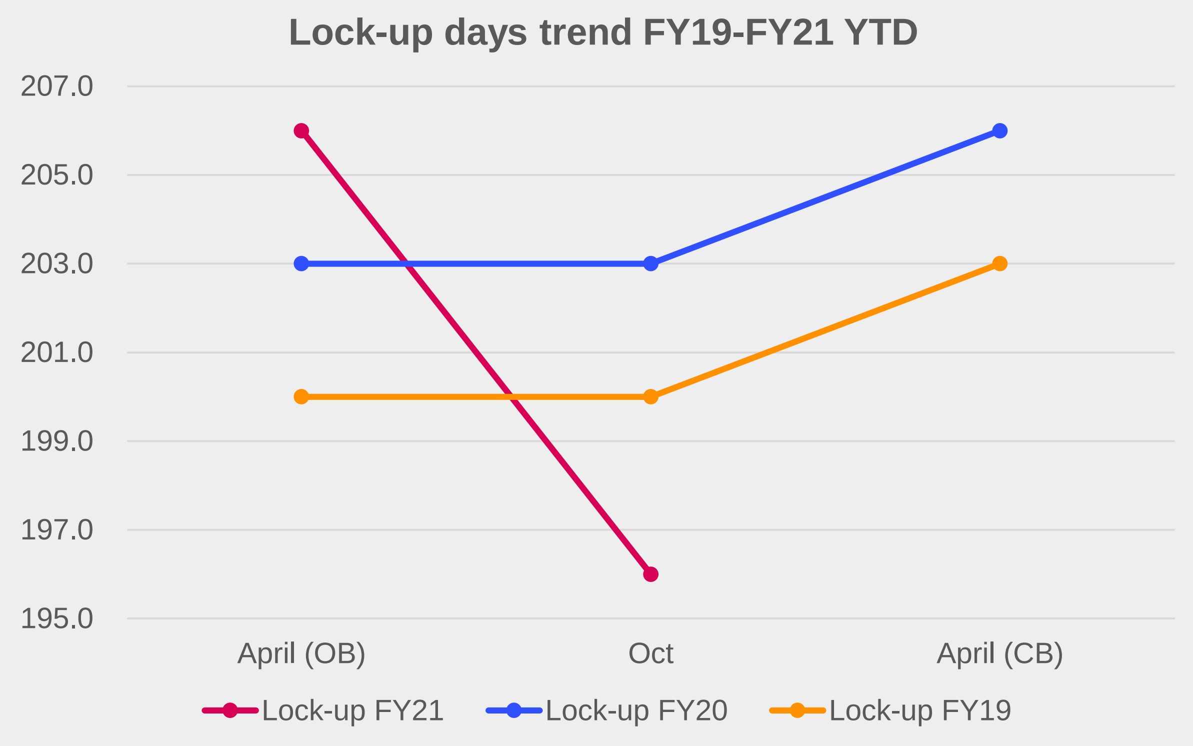
HY21 Cost/Inc. **40.4%** *-1.0 ppts*

- 1.3 ppts reduction since HY20
- Cost savings initiatives starting to show positive results
- Increased scalability of back office helps drive an improved ratio

FY21 YTD is showing good progress YOY demonstrating control of costs, and will improve further as revenue normalises

Debtor & WIP days

FY20 vs FY19 year end position affected by COVID-19, whilst H1 position for FY21 shows improvement on PY



FY20
Lock-up days
206 days

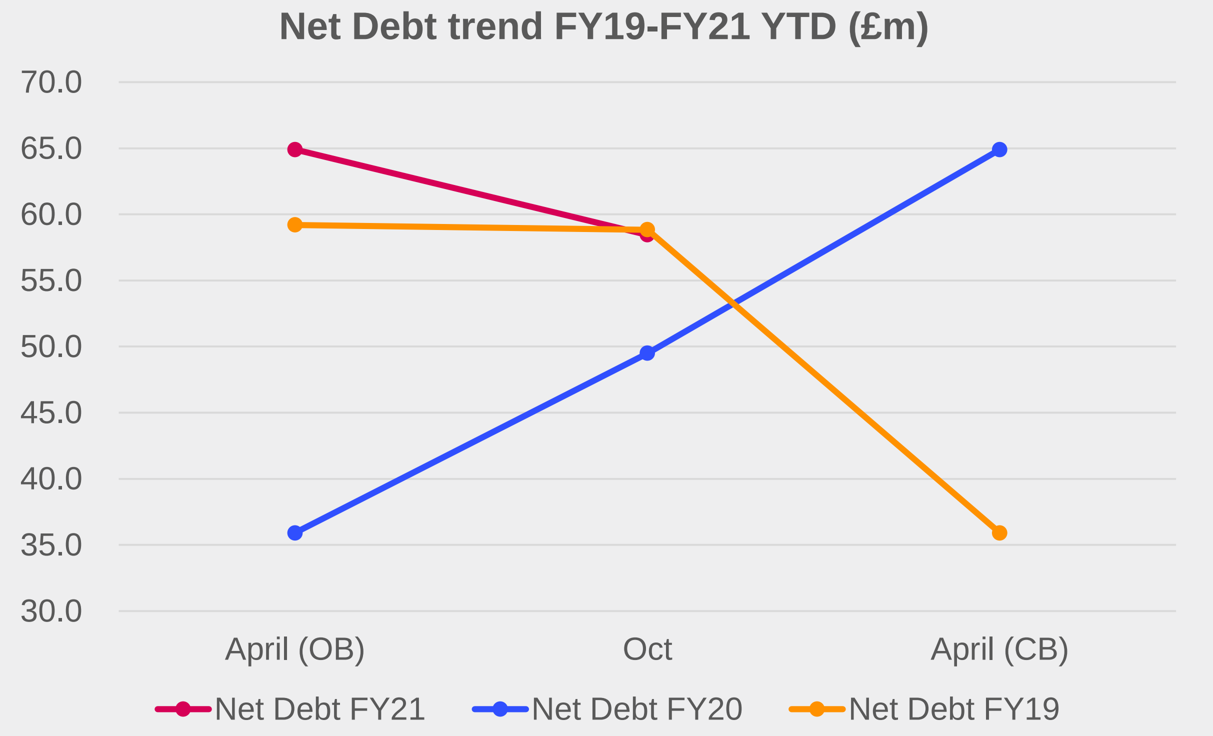
HY21
Lock-up days
196 days
-10 days

- 5 day reduction since HY20
- Favourable trends expected to continue
- Specific project with board sponsorship to drive permanent improvement
- Each day of improvement reduces net debt by c.£1m

Cash benefit from multiple initiatives with more progress expected

Net debt trend

FY19/20 acquisition activity contributed to January spike in net debt, position is de-levering despite COVID impact on Q4 FY20



FY20 Net debt **£64.9m**

HY21 Net debt **£58.5m** *-6.4m*

- £8.9m increase since HY20
- £19.6m free cash flow, up £28.9m on PY
- Free cash flow benefits from COVID-19 related deferrals of c£14m
- Acquisition related outflows of £12.4m (HY19: £0.5m) included in HY20

Net debt reducing despite deferred consideration, which reduces substantially in FY22

Summary

A good first half, with financial metrics improving on H1 prior year and FY20

1. **Activity levels recovering to support organic growth, with acquisitions performing well** to deliver double digit top-line revenue growth

2. **Gross margin improved** on the FY20 year end outturn and **almost back to levels reported in H1 of FY20**

3. **Cost to income ratio reducing** with further opportunities for savings particularly from the developing **property strategy**

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

5. **Net debt is reducing** despite the deferred consideration outflows in H1

6. **Lockup days beginning to reduce, driving free cash flow,** and are more than half way to achieving previous medium term guidance of a 5 to 10 day improvement

Increasingly confident on outlook subject to external environment continuing to stabilise

Operational review

Matthew Doughty

Strategic programme

We continue to focus on operational efficiency and enabling a "one team" culture globally

Lock-up performance

- Successful roll-out of fee earner training
- Launched new intranet hub with supporting data and tools
- Monthly success measures published to the business
- Focus on league tables of poor performers by division and escalation meetings with C Suite
- Launching new single source MI tool in Jan 21
- Ongoing restructuring of billing and collections operations and processes
- Starting longer-term planning on support opportunities from DWF Mindcrest
- Ongoing internal communications

Optimisation

- Key Account Programme – added ExBo sponsors, reviewing client teams, extending the programme
- Focus on clients outside the KAP to grow and target
- Aligning sector strategy and activities across all 8 sectors
- Improving marketing collateral globally
- Ongoing improvements to new global website, including local language/content and local social media strategy
- Globalising internal and external groups – eg GC forum, global BD group, young professionals group
- Working groups established to focus on operating process optimisation

Strategic programme

We continue to focus on operational efficiency and enabling a "one team" culture globally

Managed Services

- Former head of UK commercial law practice moved to Commercial Director role
- DWF Mindcrest integration complete
- Detailed plans in place for continued migration of work from UK Commercial driving gross margin improvement
- Developing plans for transition of specific UK Insurance activity
- Good organic revenue opportunities
- New larger facility in Pune to open in 2021
- Investment in next generation work management platform based on Microsoft Dynamics

Operating model

- **COVID response**: continued restrictions in numerous locations; ongoing focus on wellbeing and support
- **DWF Life**: launch of new people value proposition, refreshed values, code of conduct and behaviour framework; performance management and remuneration strategy
- **Premises strategy**: internal people survey to validate strategy; active marketing of surplus space
- **Operating model improvements:** new operating model for secretarial and admin support across the UK business launching in Jan 21

Conclusion

Sir Nigel Knowles

Conclusion

Increasingly confident as the trading environment stabilises

- Some uncertainty remains as a result of COVID-19 but activity levels are increasing
- Decisive action taken to reshape costs will continue to benefit through FY21 – and beyond
- Steady recovery in H1 has resulted in a significantly improved net profit position
- Many recent client wins and panel appointments with a strong sales pipeline
- 15 new partners joined in H1, with 5 more already confirmed in H2
- Tangible improvement in culture, and alignment with strategy and vision, among our people
- Determination to see working capital improvements continue through a relentless focus
- Interim dividend underscores current confidence in FY21 outlook

Q&A

Appendix

Appendix – Underlying measures

Adjusted Performance measures £'m	Six months ended 31 October 2020	Six months ended 31 October 2019	Year ended 30 April 2020
Profit before tax	**(11.0)**	**8.0**	**18.2**
Amortisation of intangible assets – acquired	2.1	0.2	1.5
Impairment	0.4	-	0.4
Gain on bargain purchase	-	(2.8)	(25.1)
Non-underlying items	12.5	1.1	7.6
Share-based payments expense	9.5	4.4	12.6
Adjusted profit before tax	**13.4**	**10.9**	**15.2**
Depreciation of right-of-use asset	6.0	5.5	11.6
Other depreciation and amortisation	3.2	2.9	6.2
Interest payable on leases	1.0	1.0	2.0
Net finance expense	1.1	0.8	1.9
Adjusted operating profit ('Adjusted EBITDA')	**24.7**	**21.1**	**36.9**

Cost to Income £'m	Six months ended 31 October 2020	Six months ended 31 October 2019	Year ended 30 April 2020
Net revenue	**167.6**	**145.2**	**297.2**
Administrative expenses	**92.1**	**63.4**	**120.1**
Amortisation of intangible assets - acquired	(2.1)	(0.2)	(1.5)
Impairment	(0.4)	-	(0.4)
Gain on bargain purchase	-	2.8	25.1
Non-underlying items	(12.5)	(1.1)	(7.6)
Share-based payment expenses	(9.5)	(4.4)	(12.6)
Adjusted administrative expenses	67.6	60.5	123.1
Cost-to-income ratio	**40.4%**	**41.7%**	**41.4%**

Appendix – Revenue per Partner

	Half year 2020/21			Half year 2019/20				
Revenue per partner	Revenue	Partner number	RPP	Revenue	Partner number	RPP	Variance	
	£k	FTE	£k	£k	FTE	£k	£k	%
Commercial & Managed	63,002	133	473	58,736	133	442	31	7%
Insurance	51,470	80	645	50,198	84	595	50	8%
International	40,251	138	291	25,511	90	283	8	3%
Connected	12,840	19	679	10,763	15	727	(48)	-7%
Group	**167,563**	**376***	**446**	**145,208**	**327***	**444**	**2**	**0%**

*Group partner numbers include those partners that work in functional cost areas of the business.

Appendix – HY20 representation

HY20 comparative	As reported in the prior year	Poland amendments	Cologne discontinuation	Realign the Managed Services division	Realign NI and ROI practice groups	Represented HY20 comparative total per HY21 accounts
	£'000	£'000	£'000	£'000	£'000	£'000
Segment net revenue						
Commercial Services	55,183	-	-	(982)	3,553	57,754
Insurance Services	47,830	-	-	-	2,368	50,198
International	33,017	-	(1,585)	-	(5,921)	25,511
Connected Services	10,763	-	-	-	-	10,763
Managed Services	-	-	-	982	-	982
Net revenue	**146,793**	**-**	**(1,585)**	**-**	**-**	**145,208**
Segment direct cost						
Commercial Services	(22,897)	-	-	500	(1,964)	(24,361)
Insurance Services	(24,289)	-	-	-	(1,309)	(25,598)
International	(19,106)	-	1,092	-	3,274	(14,741)
Connected Services	(6,796)	-	-	-	-	(6,796)
Managed Services	-	-	-	(500)	-	(500)
Direct cost	**(73,088)**	**-**	**1,092**	**-**	**-**	**(71,996)**
Segment gross profit						
Commercial Services	32,286	-	-	(482)	1,589	33,393
Insurance Services	23,541	-	-	-	1,059	24,600
International	13,911	-	(493)	-	(2,648)	10,771
Connected Services	3,967	-	-	-	-	3,967
Managed Services	-	-	-	482	-	482
Gross profit	**73,705**	**-**	**(493)**	**-**	**-**	**73,212**
Administrative expenses	(67,194)	2,419	1,417	-	-	(63,358)
Operating profit	**6,511**	**2,419**	**924**	**-**	**-**	**9,854**
Net finance expense	(787)	-	-	-	-	(787)
Interest payable on leases	(1,030)	-	-	-	-	(1,030)
Profit before tax	**4,694**	**2,419**	**924**	**-**	**-**	**8,037**
Taxation	(1,362)	-	-	-	-	(1,362)
Profit after tax	**3,332**	**2,419**	**924**	-	-	**6,675**

Appendix – FY20 representation

FY20 comparative	As reported in the prior year	Poland amendments	Cologne discontinuation	Realign the Managed Services division	Realign NI and ROI practice groups	Represented FY20 comparative total per HY21 accounts
	£'000	£'000	£'000	£'000	£'000	£'000
Segment net revenue						
Commercial Services	104,367	-	-	(3,957)	7,105	107,515
Insurance Services	95,838	-	-	-	4,737	100,575
International	76,165	-	-	-	(11,842)	64,323
Connected Services	20,861	-	-	-	-	20,861
Managed Services	-	-	-	3,957	-	3,957
Net revenue	**297,231**	**-**	**-**	**-**	**-**	**297,231**
Segment direct cost						
Commercial Services	(45,960)	-	-	1,642	(3,928)	(48,246)
Insurance Services	(49,726)	-	-	-	(2,619)	(52,345)
International	(45,188)	-	-	-	6,547	(38,641)
Connected Services	(14,123)	-	-	-	-	(14,123)
Managed Services	-	-	-	(1,642)	-	(1,642)
Direct cost	**(154,997)**	**-**	**-**	**-**	**-**	**(154,997)**
Segment gross profit						
Commercial Services	58,407	-	-	(2,315)	3,177	59,269
Insurance Services	46,112	-	-	-	2,118	48,230
International	30,977	-	-	-	(5,295)	25,682
Connected Services	6,738	-	-	-	-	6,738
Managed Services	-	-	-	2,315	-	2,315
Gross profit	**142,234**	**-**	**-**	**-**	**-**	**142,234**
Administrative expenses	(120,084)	-	-	-	-	(120,084)
Operating profit	**22,150**	**-**	**-**	**-**	**-**	**22,150**
Net finance expense	(1,905)	-	-	-	-	(1,905)
Interest payable on leases	(2,047)	-	-	-	-	(2,047)
Profit before tax	**18,198**	**-**	**-**	**-**	**-**	**18,198**
Taxation	(3,629)	-	-	-	-	(3,629)
Profit after tax	**14,569**	**-**	**-**	**-**	**-**	**14,569**