[00:00:00]

OPERATOR: Welcome to DWF Plc's full year results presentation. Please be aware that this meeting is being recorded and the telephone lines will be muted until the live question and answer segment. I will now hand over to Sir Nigel Knowles, Group CEO. Please proceed.

SIR NIGEL KNOWLES: Thank you and good morning to you all and thank you for your continued interest in what we're doing and welcome to our full year 21 results presentation.

The line-up, as you can see there, is that I'm going to give a brief introduction before handing on to our CFO, Chris Stefani, who'll go through the financial review and he'll hand on to Matt Doughty, our COO to go through the strategic update and then there'll be a summary from me and opportunities for Q&A. So if you have any questions please be ready to funnel them through the operator who I will hand over to at the end of my summary section.

So if we could just move on one slide please to who we are. Well I'm sure you all know who we are. We're an integrated legal management business. I'm going to talk more about that on the next slide, but we've got three divisions all working really well together and we concentrate on eight sectors as you will no doubt know. We are supported by 4,000 people. We have got four associations around the world which are all performing really well. We have recently announced associations in Singapore and South Africa and already plenty of work is flowing between DWF and those two firms and we already had an association in Turkey which is working well. We've got more than 30 global locations and we've had a good year - £338m net revenue for full year 21, so we are nicely up on revenue and profit and lots of other metrics which Chris will be going through with you in some detail.

Let's just go on to the next slide if we may which is about our strategy and this is absolutely core to why we wake up every day and go to work and try very hard to achieve all of this. First of all we have got a strategy which is to be an integrated law firm, a legal business on a global basis. Integrated means that we've got three divisions and those three divisions are our Legal Advisory business, where you'd expect to receive the same premium legal advice you'd expect from any top law firm, but in addition to that we've got our Mindcrest business which I'm sure most of you are aware of, which is a top tier provider of alternative legal services and as you will know lots of businesses now, lots of client are looking to establish alternative legal sector panels and we're seeing a lot of interest in that area which is going really, really well. And then we have our Connected Services division which offers a range of products and business services that complement our legal offering. And what is really good is that clients get this, they understand it, it is what they want and that can be seen clearly from the number of clients who are now using us in two or more of the three divisions. And also the work that's passing between the divisions, and Matt will, I'm sure, take you through really good quality and substantial work that's passing between Connected and Legal Advisory as well as Legal Advisory and Mindcrest and Connected. It really is working. It's what clients want and we are very pleased indeed to see this happen. We predicted it would happen and it is happening.

So just move on to the next slide which I can deal with pretty quickly. We just wanted to give you a few highlights in relation to a year of transformation because Matt and I joined Chris Stefani as members of the C-suite on the board on the last working day of May last year. So we've been working together for 15/16 months and we've achieved quite a lot in that timeframe.

First of all we turned the trading round after a difficult Covid period. By the way every legal business law firm had a difficult Covid trading period, but we just had to announce it because we are listed. But we adapted very quickly to home-working because we've always been agile and we got business back to near normal and now normal and beyond normal quite quickly during the course of this year. But we looked at our business.

We downsized Dubai simply because not all of Dubai focused on our strategy and our sector approach. So those bits that didn't we took out of the business. We also took out and closed Brussels and Singapore because they were not making money and they were not relevant to our client base and the services we offered there were not relevant. We put a lot of time during the middle of the year into working out a better operating model and that operating model is all around the three divisions of vertical profit centres. If you've got vertical profit centres, clients and work for clients flow more freely on a global basis, which is what we wanted to achieve, which has unleashed a lot of energy and opportunity to act for clients.

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Towards the end of last year we restructured Australia for the same reasons that we restructured Dubai. Not all of Australia was focused along our divisional approach, our sector approach in the work we wanted to do, so the right thing to do was to adjust that and to downsize and we did that very effectively. We announced new associations in South Africa and Singapore and we returned to M&A with two acquisitions in Connected which we'll be talking to you about later on. So it was a real transformational year and a lot happened and I'm pleased to say the results from that are clear to see and we're really excited about the prospects for the year ahead.

If I could just move on one more slide please. In terms of delivering positive outcomes and Chris will be going through the first one in a lot more detail when I hand over to him next, but adjusted PBT up 125% on prior year to £34.2m is a great success. Lock-up, in terms of recording time, sending out bills and collecting the cash, which is a key metric for the legal sector, we have reduced the lock-up days by 20 and we've reduced net debt by £5m and that really is quite an achievement and it doesn't stop there as Chris will explain. We've declared a final dividend of 3p which you will also have seen and just to repeat which is a very positive outcome, the operating structure, the platform that we have established will give a sustainable and profitable growth this year and in subsequent years. And therefore I confirm it has been a transformational year from which we have benefited and from which we do have this great platform to move forward from which is exactly what we intend to do.

So I think that's enough from me by way of introduction. I think I now hand on to Chris.

CHRIS STEFANI: Thanks Nigel. Good morning everybody. It's good to be talking to you this morning about our FY21 results. If we could move on to the next slide, what we'll see here is the traditional financial highlights that really takes you from the top of the P&L right through to EPS and then we'll talk about the balance sheet and then we'll get into the divisional performance. I think the strapline on the slide there really sets the scene. We outperformed on all metrics which we're really delighted with. We grew our revenues. We expanded margins. We reduced our costs relative to revenue and we've improved our working capital. So just walking across the page and giving you a bit of colour to those figures, you'll see that first of all net revenue, we grew by 14%. Now that was partly assisted by the impact of the Mindcrest and RCD acquisitions, but it also includes 8% underlying organic growth and that's something we're particularly pleased with. I'll talk about the trajectory of that growth when we look at the trends later in this slide. If we move across the page though, revenue per partner is a metric that we use as a bellwether for margin progression and you can see that it's increased by 18%. This reflects a couple of different dynamics. First of all a greater degree of partner productivity driven by client wins. We've also selectively invested in new partners, but also as part of the cost take-out programme that we signposted early last year, we also took some partners out of the business where we had excess capacity and that's what's driving such a compelling increase in partner productivity.

You can then move across the page and see the sort of impact that that cost removal has had on margin. It's not had any impact on the revenue growth, but it's certainly helped to expand the margin and you can see the gross margin has increased by 2.9 percentage points. So a pretty significant increase in our gross profitability levels.

If you then go to the cost to income ratio which is the other half of the P&L, essentially administrative expenses relative to net revenue, that ratio has reduced by 2.2 percentage points. So again that reflects tight management of costs and in some areas reductions in costs, some due to Covid, some due to specific cost reduction programmes. And it's worth noting that whilst I think the whole sector and indeed businesses across the land have benefited from Covid related cost savings that may not repeat or sustain, the way we look at it is that the new ways of working that we'd established during Covid will not necessarily spring back to the norms of pre-Covid. So there is an opportunity to retain some of those savings that we've achieved.

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All of those dynamics combined lead to the adjusted profit before tax result that you see here. So we delivered £34m. That represents 125% growth on the prior year. So we do use the word profit transformation here. Sometimes that word is overused. We feel it's appropriate for this set of results given how much of an uplift we've seen and how that's been driven all the way from the top-line development in the P&L through direct cost management and overhead management. And that then plays through to EPS. This is the adjusted diluted EPS. We've achieved 7.4p versus 3p in the prior year, so that's 147% increase. From the point of view of balance sheet management, you can see that our lock-up days which is our measure of working capital efficiency have reduced by 20 days. So they've gone from 206 to 186. Every day that we improve lock-up by is worth roughly a million in cash of reduced borrowings, so that is a significant reduction, almost 10% reduction in our lock-up days. We don't see that as having arrived at a destination. You'll hear later what we're guided to, where we intend to get to next on the lock-up days in the medium term.

And then finally net debt. So a £5m reduction in net debt. Now you may think 20 days reduction in lock-up should lead to a higher reduction or a greater reduction in net debt. This reduction is despite the fact that we've had £17m of outflows related to previous acquisitions and paying down deferred consideration. So the underlying free cash flow and the trend there that you'll see in a few slides time showed a significant improvement in cash conversion. We also benefited from some Covid deferrals which we carried into this year and are already paying down. By the end of this year we'll be clean of deferrals and of deferred consideration.

If we can move on to the next slide, we come onto the divisional results. Now previously we had a slide per division and went into quite some detail, but all the detail's there in the prelims for people to see. What I thought I would do is just draw out some of the themes that are driving the performance that you see here and the first thing I would talk about is consistency. If you look across the page here you'll see that every single one of our divisions grew in the year. Every division achieved particularly organic growth and you can also see that that top-line growth was not at the expense of gross profit or gross margin percentage as we expanded the margins in every division and we saw an uplift and in some cases quite compelling if you look at the likes of Connected Services, almost 11 percentage points improvement. So real tangible improvements in our gross margins across the board.

The other themes driving this result, we've got new client wins and panel appointments and also a move towards more complex work and in some cases, particularly in Commercial Services we're beginning to measure the number of clients where we earn more than a million in fees per year and that number of clients is going up. So Insurance and Commercial both benefiting from a move towards higher end work and also the broadening of the relationships that we have with our institutional clients.

There's then the Covid effects. No set of results. Even though we don't feel as though we've been heavily impacted in FY21 by Covid, the sector in general has actually seen more opportunity than downsides from Covid, and it is swings and roundabouts. So in the likes of Insurance, physical motor claims for example have gone down, but equally business interruption claims have increased. So no net downside in particular, albeit if you look at Managed Services and the kind of strategic multi-year contracts that we're looking to drive in that particular division, the buying decision we feel has been delayed due to Covid and that's an opportunity for the future as things normalise and restrictions ease.

If you look at International, I think the theme there would be restructuring. We've right-sized and scaled back, as Nigel has mentioned a number of locations and you can see that despite that we've still grown and we've still improved the gross margin despite the fact that these figures include particularly for the likes of Australia, almost a full year of the revenue, but also the EBITDA losses that we were suffering.

Finally in Connected Services, we've seen very strong demand for services there, 22% organic growth and particular demand for claims and adjusting services and in particular our offering of joined-up services in relation to business interruption claims. So we're seeing a lot of opportunity. And I think the final theme would be client sharing and the ability to cross-refer work and Connected is a great example of that. And I won't steal Matt's thunder, but certainly we're seeing the benefit of providing services that allow our clients to consolidate their supply chain.

[00:15:33]

That's it on divisional performance. I've got one more slide though if we can move on which shows the divisional performance had it been under our new operating model. So just to be clear, the numbers I've just talked about were our historical operating segments up until the end of April this year. We announced in January that we were changing our structure to a three-division model and the intention of that model is really to organise ourselves internally in the same way as we present ourselves to clients. So this is the integrated legal management offering based on the three divisions which we can sell individually to clients or offer joined up services. So this really is to give everybody an anchor point. This is what the prior year comparator would look like had FY21 been delivered under the new operating model. And I show it here just so that when we come to deliver future results, people can understand the various dynamics. So you can see Legal Advisory, the largest, not surprisingly on the divisions and the highest margin. Connected, not any significant change other than the transfer in of one of our Spanish Connected Services businesses into Connected. And then Mindcrest benefiting from the transfer of work from Insurance in FY21 and also seeing our margin come down as that work is transferred because it takes time to then deliver the margin upside that Mindcrest is designed to deliver. So that just gives you a snapshot of what the new operating model looks like.

If we could move to the next slide please.

We now move on to just the two-year trend on a number of our key metrics and first of all we start with revenue growth. So we will talk a bit about the cost and margin dynamics, but the starting point is that we have a trend of new double-digit revenue growth for the past two years. You can see a spike in H1 of FY21 and that's buoyed by the impact of acquisitions. As we come into H2 there's a slight dip in the growth, but there's a switch in the organic growth dynamic. In H1 we delivered between 2 and 3 percentage points of organic growth. The H2 organic was closer to around 11 or 12%, so a real acceleration which demonstrates that we are getting traction by growing the relationships we have with our current client base.

So 14% revenue growth in GY21 assisted by Spain and Mindcrest, but with less impact in H2 as they became organic. We have organic growth across all divisions and this growth was achieved despite the number of businesses where we had to intervene and right-size them. So we had Australia, Dubai, Singapore, Brussels and whilst that impacted on revenue in a small way, it impacted in a far more material way on profitability and we'll come on to talk about that.

Can we go to the next slide please?

So this is the gross margin and cost to income dynamic. Now we talked about Covid as having a V-shaped impact on the business and we can see that very, very clearly with the red trendline. That is the gross margin percentage for each of the half years in the past two years. So you can see we were trending at what I would call a reasonably normal level in H1 FY20 with a severe dip in H2 FY20. We had a kind of snapback recovery in H1 FY21, but that was not really the end of the story because we were still effecting some of the cost saving programmes that we announced last year. Those began to take an even more material effect in H2 of FY21 where you can see the margin tick up further. Now that margin story still includes the trading losses of the businesses where we right-sized or scaled back, so those losses are included in the trading performance and on an annualised basis come to about £7m.

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You can also see the cost to income ratio. So I talked about consistency of trend in the divisional performance. There's a real consistency of trend in the cost to income ratio reduction. It was shallower not surprisingly in H2 of FY20 which is the second data point along because we had such a dip in revenue, but since then you can see that the reduction in cost to income ratio has accelerated, again reflective of a degree of Covid savings, but also some of the other initiatives that we're effecting to manage the overhead base and make sure we've got a scalable platform.

And if we could move on please.

And then this shows the adjusted profit before tax and then the profit before tax margin and also EPS adjusted diluted earnings per share and dividend per share. And the story here really is even more pronounced than the V-shape impact we had on margin. This demonstrates the operating leverage in the business. The fact that we've taken cost out and we've begun to improve our PBT margin as a percentage of revenue gives you a sort of insight into the profit potential in the business because I think it's fair to say that at a sort of 12% margin in H2 FY21 and overall for the year just over 10% PBT margin, we don't see that as the end of the story or destination by any means. We can see also the EPS following suit in terms of trend, the dividend representing our progressive policy on returning money to shareholders.

Next slide please.

The final trends are on lock-up in the balance sheet. So you can see some lock-up days in the same way as we had the P&L impact for Covid. We also had a P&L impact for lock-up days. We had a spike in H2 of FY20, up to 206 days, but then really quite a compelling steady downward trend over the course of FY21 as we effected various initiatives to drive better lock-up. There are three ways in which we drive lock-up improvement. There's the sort of behaviour and cultural element where we are introducing harder targets and consequence management to make sure that [INDISCERNIBLE 00:22:42] recognise this is an important part of the job. The job isn't don't until the cash is in the bank. There's then kind of process technology and resources to enable better, more efficient billing and collections and we've invested a lot in the finance function to make sure that is easier. And then there is business mix. As Connected Services grows, as Mindcrest grows and Managed Services sales grow, they also have a much shorter lock-up cycle and they will also help to bring in the working capital cycle.

So you'll see when we talk about guidance that the 186 that we've landed on is not the end of the story.

And then finally net debt and free cash flow. So just for clarity, net debt is on the left hand axis here and is the red line, the line graph and you can see that it's been fairly steady around the £60m mark and that is something we're not concerned about, given that we're driving through the deferred consideration that we have on the balance sheet. That net debt is obviously shrinking relative to an improving level of profitability. So we are seeing leverage gradually reduce and that's part of our strategy. Free cash flow is a particularly compelling trend, so a significant outflow in H1 FY20, a slight move to cash generation in H2. A significant cash inflow in FY21 H1 and then a similar level of inflow in H2. So £32m of free cash flow in FY21 compared to a £7m outflow in the prior year. We're really delighted with that turnaround. Obviously it goes hand-in-hand with lock-up improvement. It has benefited slightly from some Covid deferrals that will unwind over the next few months and we'll see continued free cash flow generation as lock-up days continue to reduce and profitability also develops along the trends that we've seen.

Next slide please.

[00:24:48]

So just in terms of how we deploy capital and how we think about managing our capital, this slide just outlines the four main uses that we have for the capital we have available. Clearly we have a dividend policy and our target pay-out ratio is up to 70% of adjusted profit after tax. The payment dates are set out on this slide and one of the things that we sought to clarify here was that the interim dividend paid around February or March time seeks to be around a third of the prior year full year dividend. We then have borrowings and our leverage ratio. We've set a medium term target to operate within 0.5x and 1x pre-IFRS 16 EBITDA. We're slightly above 1x at the moment around about 1.35/1.38. We'll see that steadily reduce, gradually over the medium term and certainly within our medium term guidance we'll expect to land under 1x quite comfortably.

We've then got M&A. We will deploy capital as appropriate to support our organic growth ambitions and we will fund bolt-on acquisitions through our own resources, but also we'll look at more strategic and seismic M&A opportunities as they arise.

And then finally capital expenditure, we're not a capital intensive business when it comes to capex, but we will commit up to £8m a year predominantly on strategic projects and IT systems and infrastructure upgrade and IT replenishment. And then there's also future ways of working. If we can see opportunities to take advantage of lease breaks and lease events to change the configuration of our space and the amount of space that we have, we will deploy capex to secure those savings.

Next slide please.

So then we come to guidance. So 18 months ago when we issued a Covid profit warning, as pretty much every company in the land did, we withdrew guidance because we were dealing with a very uncertain environment. Really pleased today to be able to reinstate guidance because I think that demonstrates that we are very pleased with the results we've had for FY21 and we see an operating environment that feels quite favourable for the sector and also quite favourable given the offering that we have and Matt will come on to talk a bit more about that and how we envisage growing. The medium term targets are for a net revenue grown CAGR of between 6% and 7%, for gross margins to increase to between 53% and 54%, the opportunity there really being around [SL best-shoring 00:27:32] in Mindcrest, a move towards complex work, leveraging our great institutional clients who we hope will continue to embrace the integrated legal management offering. And then we have the cost to income ratio where, as we increasingly try to get a scalable overhead base, we expect administrative expenses as a percentage of revenue to come towards 38%. For lock-up days, we landed at 186 days at the end of April 21. Our medium term target is to get to 170. That will all help to get us to the aforementioned leverage target of between 0.5x and 1x pre-IFRS EBITDA. FY22 specifics really just to help flesh out the models that the others have, but capex of up to £8m, interest charges of £5m including £2.5m of lease interest costs and depreciation as split there at £20m between right-of-use asset under IFRS 16 and ordinary course depreciation.

Just to reiterate, that is all an organic base case. Clearly if we were to effect any M&A from here, we would separately guide on that.

The final slide please from me.

So we are pleased with what we view as a strong performance for the year. Nigel talked at the beginning about a lot of the milestones that we hit during the year. We effected quite a lot of change. We restructured a number of locations. Thankfully that has not disrupted or materially impacted the adjusted results that we present here and indeed we haven't seen the full impact of the savings that we will achieve by removing some of those drag factors. We've grown organically at 8% and we've grown 14% overall. We've expanded gross margins. We've reduced the cost to income ratio. All of that has fed through to a very significant uplift in PBT margin. We're seeing the balance sheet efficiency improve through lock-up days and that's coming through in free cash flow and net debt is reducing and we'll continue to manage net debt and see that leverage ratio come down as profit improves. And then EPS 140% increase with a progressive dividend and we've stated how we see that developing. We got to [SL the low 60s 00:30:13] in terms of payout ratio this year. We do intend that to be progressive. So that's it from the point of view of the financials and I'll hand over to Matt now.

[00:30:24]

MATTHEW DOUGHTY: Thanks Chris. Hello everyone, I'm Matt Doughty, the Group COO. Chris has just given you details obviously on our medium term guidance, so I'd like to spend a few minutes explaining why we're confident that we'll achieve that guidance generating attractive growth in returns. So next slide please.

I'm going to talk about these four categories starting with clients. We have a well-defined client programme with a key account programme focused on more than 30 clients and more than 80 clients in total through a stratified programme designed to drive more penetration of services and geographies among those clients. And as Nigel's explained, our key focus is on gaining further traction with our Integrated Legal Management approach. And you can see that this is really resonating with our key account clients with most of our fees from this group already generated from two or more divisions, practice groups and geographies. And whilst we've made good progress with the client base it's clear that we've got plenty of white space both in terms of the Integrated Legal Management opportunity and also cross-border services more generally and that gives us real confidence in our organic growth potential. And in the last 12 months you can see we've had numerous significant client successes both new panel wins, but also some notable individual mandates.

On the people front, we hired 25 new partners during FY21 and already another 12 so far in FY22 and we're really pleased with the quality of the lateral hires. It's increasing all the time. We're hiring from major global competitors in all of our markets and our unique compensation model is attractive. We can see that we're really starting to use that to our advantage in a competitive labour market, both to attract talent, but also to retain it. We've worked incredibly hard through the year on our 'One Team, No Borders' culture. We've adopted a purpose that underpins that culture with the focus on delivering positive outcomes with colleagues, clients and communities and you'll see reference to that in numerous places through this presentation, all of which has been incredibly important when we've worked through the pandemic. And colleagues were encouraged to share clients and opportunities across the group globally with a bonus plan that rewards team performance. And it's also worth noting, as we've already touched on, that the growth that we anticipate in India as we continue to scale up Mindcrest, this is going to be not just about incremental new client wins, but also moving more process led work from Legal Advisory and also our global central services teams to Pune which will help to drive those margin gains that Chris has talked about.

In terms of associations we've recently announced two new associations as Nigel mentioned, Eldan Law in Singapore and Thomson Wilks in South Africa. We've known and worked with both firms for quite a while, but entering into those exclusive associations really enables us to build a more integrated service proposition for our clients. And we've developed a roadmap for extending our network of associations in other key jurisdictions. In some we'll aspire to an exclusive relationship over time and in others it might be a long-term non-exclusive relationship and that might be sufficient. We've identified key markets for us which include the Benelux region in the European Union and also Portugal which is very important for our Spanish colleagues, Saudi in the Gulf and Hong Kong and possibly mainland China as well as Canada and the US. Canada is obviously an important London insurance market geography for us and the US obviously is the largest global legal market in the world. And with respect to the latter with the US, we've now agreed a non-exclusive relationship with Wood Smith Henning & Berman. It was previously an exclusive relationship and we've done that so that we can seek to extend our relationships in the US and look at other relationships there.

On the M&A side as Chris has said already, the medium term guidance doesn't anticipate M&A. Nonetheless it's an important factor in driving inorganic growth and worth touching on here. Having paused M&A in FY21 as we made necessary strategic changes, we were pleased to get back to it in May with two bolt-on deals for Connected. As we'll demonstrate in a moment on the next slide, DWF Claims is a growing significance for us strategically and so bolstering our operations in Canada with a high-quality claims business in Vancouver to add to our existing operation in Toronto made really good sense and this will enable us to provide more comprehensive coverage for our London markets clients in Canada and to achieve some synergies in country.

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Zing365 adds a digital training business and content in the financial services regulatory space which is highly complementary to our legal advisory offering globally and we're aiming to scale this business both in the UK and in select global markets as part of our ongoing integrated legal management approach. As Chris mentioned as well, RCD and Mindcrest both made very positive contributions to the group during FY21 and they've been successfully integrated in line with our plans at the time of acquisition and we anticipate more M&A during FY22.

Moving to the next slide, I just wanted to share a couple of examples of our Integrated Legal Management strategy in action, one which demonstrates how Legal Advisory and Connected Services interact and another involving Legal Advisory and Mindcrest. With Legal Advisory represents about 85% of the group's revenue, you might expect that our Integrated Legal Management strategy centres on referring clients and work from Legal Advisory to other parts of the group. However we've got good examples of where Connected and Mindcrest have generated opportunities for Legal Advisory and this first example demonstrates exactly how DWF Claims managing claims on behalf of insurer clients has the capacity to generate significant referrals of insurance litigation work to Legal Advisory. As you can see, Claims is generating an increasing amount of fees billed by Legal Advisory and increasing its conversion rate, i.e. the percentage number of claims it's referring to Legal Advisory as compared to referring to other law firms. Indeed in some teams the current conversion rates are in excess of 50%. We also have visibility on future years' billing given the reserves attributed to these claims and based on current run rates we estimate more than £8m in billings derived from DWF Claims referrals this year, which will make DWF Claims equivalent to the third largest client in the insurance business.

On the next slide, the second example is a Mindcrest example which shows how we can really help leverage the expertise within Legal Advisory to deliver a highly effective and efficient solution for a client that would be impossible for a traditional law firm to deliver profitably. So our lawyers had been advising this particular client organisation on a significant high volume portfolio of leases [SL for 00:37:42] a class of operating assets and there are more than 10,000 of these leases and they weren't specialised due to the nature of the assets and relatively unstructured and varied in their form and the client didn't have any clear understanding of their rights and obligations under the leases. So it didn't leave them with a great understanding of the embedded risks site by site or the ways to mitigate those risks, or indeed any visibility on how they could extract more value from those assets. And the client didn't want to pay for a traditional law firm solution. They recognised that paying by the hour for expensive lawyers to review such a large scale of documents would be prohibitive. So our lawyers helped develop a scope of work and a playbook which we then turned into an integrated solution using third-party artificial intelligence technology which we identified the right solution and deployed that through our mTech team which is embedded with Mindcrest and we also then trained our document review teams in India through Mindcrest University. All of that came together to deliver a solution for the client's issues and has presented them with the ability to reduce operational costs and understand ways to generate additional commercial value from the portfolio.

Moving to my final slide on ESG, we believe that we already have leading ESG credentials but we've got an ambition to go further. In environmental we have long been committed to action on climate change. We're already committed to the UN Sustainable Development Goals and we have committed to science-based targets for our emissions which we are in the process of determining. In social, we've had a successful track record in D&I for many years underscored by our commitment to targets at board level and in the wider partner population you can see some of the metrics set out there under the governance heading, but we have a target for wider partner population of a 30% female gender target and 10% ethnic minorities. And we've also had a strong track record for many years on the CSR agenda with many active volunteering programmes and an independent registered charity called DWF Foundation which received £2m endowment from partners at the IPA and benefits from regular fundraising activities from our colleagues and funds local charities in the communities where we do business. And in governance we believe that as the only main market listed business in our sector we've got higher standards of governance and transparency of reporting than any other.

[00:40:19]

What we haven't done historically is articulate all of those great things in one joined up holistic ESG strategy. But we've now appointed a Group Head of ESG which is a new role on our exec board to help define and embed a new strategy and that strategy will look out to 2030 as we look at a plan of action through the Paris accord and our new director on the [INDISCERNIBLE 00:40:44] board of responsibility for ESG, Kirsty Rogers, the Group Head of ESG is heading up a new steering group within the business and we plan to communicate that new strategy in the autumn. We're currently finalising a materiality assessment in conjunction with Business in the Community which will give us a very detailed view from all of our key stakeholders on the issues important to them and that will help inform our next steps.

Finally we see a significant client opportunity as well in this space. We've got a compelling client proposition given the expertise we've got in Legal Advisory, but we've got the chance to augment that with our own experiences as a listed corporate to bring truly value added advice to our clients through Legal Advisory, Connected and Mindcrest and we believe that that can be a real differentiator.

That's it from me. I'll hand back to Nigel.

SIR NIGEL KNOWLES: I seemed to lose my link there, I'm sorry. So in summary I'm going to cover all the things on the slides, but in a slightly different way. In my view, and I hope you share this view, we've had a really good year. Revenue and profit are up as you've seen. Lock-up days and net debt are down and both of those are a key measure of efficiency, of recording time, sending out the bills and collecting cash, which the legal sector is judged on and to see the reduction in lock-up days and to see the reduction in net debt is something that we are very pleased with.

We've also [INDISCERNIBLE 00:42:24] structure which has released a lot of energy. Having vertical profit centres across the three divisions with separate practice groups operating within the Legal Advisory business does make a lot of sense. And our strategy is definitely resonating with our clients and potential clients which is what it's all about. We've also seen and had the ability to streamline the business, to restructure the business as we've talked about, examples Dubai and Australia to make sure that what we have in those jurisdictions fits with our strategy, fits with our sector focus and makes sense. And we are seeing, and Chris Stefani made this very clear as well, we're seeing the benefits from that restructuring right from the beginning of this financial year and that's also hugely beneficial to us. What really pleases me is that… DWF by the way is no longer an experiment or a trial. It's actually proved itself. It's proved itself by the support that we're getting from our clients in relation to our strategy and the three divisional approach. Legal Advisory is doing exceptionally well, give premium legal advice just as you'd expect from a top law firm. Mindcrest is new, it makes us different. I don't think anybody has got an alternative legal sector business like Mindcrest within their legal business and then on top of that we've got Connected. And as Matt has said, it's hugely beneficial to us to be able to say of Connected, that it's now the insurance group within Legal Advisory's third largest client. If anybody wants any more evidence that this is working, that this three divisional approach is working, they need no more.

In addition to that we've added some more associations, we've done some M&A, we've taken the cap off, the pause off M&A and we will be doing some more M&A before the end of this financial year. We've nothing to announce now, as I've said previously, but there will be something I'm sure before the end of this financial year.

So from my perspective as CEO I look back with pride at the year just gone and with huge excitement for the year ahead and all the opportunities that are out there that we hope to take our fair share of. So I think that would be the end of my summary. I notice it's 9:46. We've got this meeting continuing through to ten o'clock and what I'm now going to do if this is okay with all of you, is hand over to the operator, Sergey who will conduct the Q&A for you and will tell you how to get questions to him so he can ask us for the answers. So over to you Sergey.

[00:45:17]

OPERATOR: Thank you. If you would like to ask a question please signal by pressing *1 on your telephone keypad. If you are using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that's *1 to ask a question. I will pause for just a moment to allow everyone an opportunity to signal for questions.

I will now take our first question from Robert Plant from Panmure. Please go ahead.

ROBERT PLANT: Morning Nigel, Chris and Matt. In the statement there's a Q&A with Nigel and the last question he's asked about the outlook and he talks about competitive pressure for talent, but also removing some of the material drags. I know that wage inflation has been mentioned by some of the other legal sectors in companies in their results. Can you talk about what kind of wage inflation you're seeing and do you think you're going to offsetting that with cost savings and productivity? Thanks.

SIR NIGEL KNOWLES: Well let me kick off with answer to that question and then Matt might have something to add. First of all, I would say that in relation to the trainees that qualified last time around, more than 90% stayed with us. And also if you look at the quality and number of lateral hire partners we've introduced into the business, both in the last financial year and I think eight started on the 1st of May and some have joined since, we are and remain attractive. I think we remain attractive for a number of reasons, including the fact that people are getting the point that it's good to be listed because as a listed business not only can we access the markets for M&A and also to optimise the performance of our business, which is important, but also it gives us an opportunity to reward people, not just through salary, but through bonus, through share awards and also dividends and the future prospect of capital growth. And we can make share awards available to people other than people who've reached the position of partner as you would get in the [INDISCERNIBLE 00:47:22] terms in LLPs.

If you're thinking about the newly qualified salary rates, then these are often encouraged by the US firms followed by Magic Circle and then one or two other firms. I think our deal with our people is rather different. It's not a sweatshop. We don't expect the hours and the returns that the US firms demand for their +£110,000 a year starting salaries and we actually want to see a positive outcome for our people as well as for our clients and therefore I think the deal with our people is different and we are keen to ensure that they have a sustainable and rewarding career and not a burnt out career. And therefore I believe at the present time and we work tirelessly to make sure we stay in this position, that we are responding… we're not responding, we're just doing what we think is best, but it's also a response to your question about the war for talent. So that would be my observations. Matt, have you anything you'd like to add?

MATTHEW DOUGHTY: I don't think much to add to that Nigel. We obviously benchmark ourselves regularly so we're across the market. We understand what the market's doing. We're still successfully hiring people at partner level and at junior lawyer level. We've got provision in the budget this year for what we believe we need to do in terms of [SL additional 00:48:51] increases in pay. The bonus this year landed well. That's a good structured scheme that is common in a listed corporate we probably don't see elsewhere. I think really to Nigel's point, we have a good headroom in the EBT. You'll remember that we put 10% of the market cap at the time of the IPO out of the partners' pockets into the EBT to drive equity participation at all levels in the business and as Nigel said that continues to be a key differentiator for us. I also think that over the last 12 months we've had really, really positive feedback on the culture of the organisation from those people that have joined at every level and I think the tone that we've set from the top, the 'One Team' culture, the transparency with which we operate within the business, all of these things have been very positively received. That's it from me.

SIR NIGEL KNOWLES: Great, thank you. Next question.

OPERATOR: James Allen please go ahead, your line is open.

[00:50:03]

JAMES ALLEN: Hi, morning all. Can you hear me okay?

SIR NIGEL KNOWLES: Yeah, perfect.

JAMES ALLEN: Brilliant. So three questions if I may but they're quite quick. So the first one. You've got a new target of 170 days for lock-up days. You're at 186 now. Will that improve and going forward be more weighted to improvements in the internal billing function or by getting clients to pay more quickly? The second question, of the three operating segments which will be shown going forward, I can see that the gross margins of Connected Services are lower than the other two at 43%. Where do you think that can get to going forward? And then the final question, some of the other listed peers have reported strong client satisfaction whilst staff have been working from home and have quoted client NPS scores to show that. Have you seen the same thing?

SIR NIGEL KNOWLES: All good questions. I'm going to ask Chris to deal with the lock-up day and the profit point, the gross margin point and Matt can deal with… well he can also comment on Chris's replies, but he can also deal with the current NPS score. Chris, do you want to kick off?

CHRIS STEFANI: Sure thing. Thanks for the questions. I think on lock-up, it's probably difficult to scientifically measure cause and effect of the three or four different ways in which we are driving the improvements that I mentioned earlier. There's behaviour and culture and consequence management, there's process technology and extra resource to make billing easier. We're dealing with increasingly complex client requirements in some cases. And then there's the mix of business where we will be growing in areas that have naturally shorter lock-up cycles. There's probably a fourth area which is engaging directly with clients who do have very complicated procurement requirements and billing requirements. On the basis that our experience recently as we've been analysing this is that they have as many administrative challenges at their side as we have on ours and I think if we get together and almost have a finance to finance discussion, I would hope that we can all gain some efficiencies. So there's steer four ways. And I do think about it as being either a third, a third, a third or 25% per lever to pull. I think the main point is though we do have at least three or four levers and they're all quite compelling and none of them have been truly exploited yet.

I think the second question on Connected margin, it's just worth remembering it's quite a young business, so it's been in existence for just over three years now and there are still some businesses in there where we've put capital in to grow them and we've got a diluted margin. So that 43% is definitely not a normalised margin. I think what we'll see is that gradually trending upwards as the business matures and it is and should be a low cost to sale business because it sits alongside Mindcrest and it sits alongside Legal Advisory and benefits from cross-referrals and sharing of clients. So I do think there's, in the medium term, an opportunity for Connected certainly to normalise towards the 50% mark. Then I think Matt it was for you on the NPS.

MATTHEW DOUGHTY: Just to emphasise the point on the lock-up I do think that the [SL consequences 00:53:30] that we've got for partners this year will continue to really drive behaviour in the right way and drive them to engage better with clients. On the NPS score, I think we put that in the last trading update in May, but that went up during the year from 47 to 49 against quite a large pool of clients. From memory, I'd have to doublecheck but I'm pretty sure it was at least 400 clients in the pool that were surveyed. We're told by our advisers that's a very strong NPS score for our type of business, so we were very pleased with that. But obviously we hope to see that continue and that KPI will be in the annual report on accounts.

JAMES ALLEN: Brilliant, thank you very much.

SIR NIGEL KNOWLES: I think by the way, we are absolutely enforcing the culture and responsibility amongst all our people that the job is not done until the cash is in the bank. That will deliver results on lock-up and 170 days. Next question.

OPERATOR: Sam Dindol from Stifel, please go ahead.

SAM DINDOL: Morning guys. A couple of quick questions from me. Firstly on M&A, would we expect that in the future to be focused on Connected Services or is there potential to add to Mindcrest's capability in sort of the more normal legal areas? And then secondly on the medium term targets, why is sort of 6% to 7% top line growth the right number? Is it sort of legal services GDP plus market and then there's cross-selling opportunities and obviously Mindcrest and Connected grow ahead of that, any colour on that would be great? Many thanks.

[00:55:14]

SIR NIGEL KNOWLES: Okay, well I can deal with the first question and then I'll let Chris deal with the second one. In relation to M&A I would expect the odd additional acquisition into Connected, but it's not just Connected. We are looking at opportunities. We will be looking at opportunities that exist for any aspect of the business where it makes sense. In some cases, for example, we could be regarded as underweight in terms of the level of a presence that we require in certain jurisdictions. There are other jurisdictions. So we are open to have conversations with any potential target that gets what we're all about, that understands our culture and values and would make a positive contribution and be earnings enhancing. So the restrictions on what we [SL wouldn't 00:56:03] get, save that we wouldn't do deals for the sake of it unless people really fitted in, particularly in terms of our cultural values. Chris, do you want to take the medium term target point question?

CHRIS STEFANI: Sure. Hi Sam. Yeah, I think our view is that if you look at the market globally, the external research on this says that you're talking roughly 5% in traditional legal. ALSP market, alternative legal service provision are growing at a faster rate. We set our stall that one, we have a great list of institutional clients where we're not necessarily delivering all of the services that we're capable of delivering to them, albeit we've got good penetration, but we think it can be better. We have got a differentiated proposition in integrated legal management and we actually are one of the few legal businesses, if there are any actually, who own an ALSP. So our view is that we ought to be able to grow at a faster rate organically than the global legal market.

SAM DINDOL: Many thanks.

SIR NIGEL KNOWLES: Okay, we've probably got time for just one more question. It's 9:58 so if there is a last question we'd be very happy to take it.

OPERATOR: Certainly. James Winckler from Jefferies, please go ahead.

JAMES WINCKLER: Hey you guys, thanks. You talked about the number of clients, that you do over a million pounds of work with per annum and now that's growing. I wonder if you could add any context in terms of figures of where that sits now or even the proportion of your clients now and where that was say, one/two years ago? And then also in the Managed Services growth, obviously very strong, a portion of that via transfer from other divisions. I'm wondering can you separate from underlying actual increase in overall new business for Managed Services rather than transferred work relative to the rest of it. Thanks.

SIR NIGEL KNOWLES: Okay, I can have a bit of a shot of that. We've got well over 30 clients I think now that give us more than £1m a year, but it's not just £1m a year, we've got many over £5m and some over £10m. So we've got a very good client base. What we're looking to do now is we've got lots of clients for whom there is much more [SL scope 00:58:42] to satisfy their needs both in Legal Advisory, Mindcrest and Connected and we've got a system now to monitor and manage and look at the level of penetration that we have in relation to the practice groups, the divisions and the countries in which they have a presence where we have an office and where we can be supporting them. So we're looking to grow our share of purse across our clients in a strategic and a planned way and we're measuring the performance every 90 days to ensure that we are seeing some positive returns, all of which are showing proper and good progress. So we're very optimistic that we will grow our client base, we will grow the number of clients who spend more than a million pounds a year and we'll grow the level of penetration that we have with them across practice group, across the divisions and geographies. So we're putting a lot of effort into that and it's very rewarding to be honest with you and clients appreciate the fact that we're thinking about them and thinking about how we can deliver service to them and be relevant to them.

[01:00:01]

MATTHEW DOUGHTY: Nigel, I think we've got one last question in the queue so we should try and squeeze that one in if we can.

OPERATOR: Andrew Shepherd-Barron from Peel Hunt. Please go ahead.

ANDREW SHEPHERD-BARRON: Okay great, thank you very much. Good morning gentlemen. Two questions from me related. One is could you talk a little bit about how RCD has performed since its acquisition through Covid etc., etc.? And related to that, you've changed it seems to me the level of integration of RCD. There's a big charge in the accounts etc. for deferred consideration. And you've also in the US downgraded, if that's the right word, your exclusive relationship. Could you say a little bit about what that means for the culture? Do you want the business to be more closely integrated as with RCD and does that mean that if you do grow in the US, you actually would prefer to have an integrated partnership rather than exclusive mutually rewarding arrangements? Thanks.

SIR NIGEL KNOWLES: Matt, do you want [INDISCERNIBLE 01:01:06] point?

MATTHEW DOUGHTY: Yeah I certainly can and Chris can jump in if he's got any particular metrics to throw in to the answer. I think RCD, obviously we've had now the first full year of RCD. Obviously in the first few months post acquisition, we hit Covid which made it more challenging to get through all the integration that we wanted to get through. So we're now much better advanced in terms of all that integration work. There's still some systems integration to do on the back end, but culturally in terms of alignment, much, much better. Also of course having moved to the new operating structure from the 1st of May means that we had to again have conversations across all of our businesses about how that was going to work within the new management structure and part of what we did was to move the three most senior Spanish partners into more centralised group positions as well. So in addition to managing the Spanish business we have one of them who is the regional managing partner for Europe, one who is joint global head of corporate and one who is global head of the tax group, corporate and tax being very strong practice areas within Spain. So I think it's true to say that we've got far more integration in Spain and that also is reflected in the results. They've operated very effectively and have grown profitably through the last year. Chris, I don't know whether we call out their results specifically. Is there any comment you'd want to give in terms of any of the numbers specifically?

CHRIS STEFANI: No. I think just to comment that it's been a very strong performance in the year given Covid restrictions, particularly severe in Spain at various points and the business has been really resilient. The charge on the accounts is just reflective of adjustment to the deal terms in order to really drive [SL goal confidence 01:03:06] and make sure that everything we're doing is aligned with integrating the business and we're making great progress on that.

MATTHEW DOUGHTY: On the US Nigel, did you want me to take the US one or were you going to have a go at that?

SIR NIGEL KNOWLES: I can have a go at that. Look, we are still good friends with the firm in the US and we decided to downgrade it because they… and downgrade is probably not the right word, but we decided to make it non-exclusive simply because insurance is such a huge sector and the US is such a large place that you can't necessarily service all your needs with one firm across a country as big as the US and in addition to that they didn't have as many practice groups, as much practice area coverage as we would like and therefore we need on occasions to use other firms. So it was probably inappropriate at this stage to continue an exclusive relationship and moving it to a non-exclusive relationship where we still work with them, but it would work better and make more sense.

Going back to an answer I gave a few minutes ago, we do like integration, we do like to operate under the same name. Clients are more convinced by an integrated firm than associations, although we are really working hard to make our associations work and clients are responding and because we have got the right firms in association with us, but there will be more movement I'd guess to more integration in the years ahead. Anyway what I need to do now, it's 10:06 and I think we should probably wrap up if that was the last question. But what I would like to say is thank you for being part of this presentation. Thank you for your interest in what we are doing. It's always good to have the opportunity to talk to you about what we've done and what our plans are going forward and we're all available to answer your questions if any more occur to you after the conclusion of this call. So please let us know. It's easy to contact us and we're at your disposal and thank you once again for joining this call. Thank you.

[01:05:38]

OPERATOR: This concludes today's meeting. Thank you for your participation. You may now disconnect.