[00:00:45]

MALE: Welcome to the DWF Group Plc half-year results presentation. Please be aware that this meeting is being recorded and telephone lines will be muted until the live questions and answers event. I will now hand the call over to Sir Nigel Knowles, Group CEO. Please go ahead sir.

SIR NIGEL KNOWLES: Good morning. My name is Nigel Knowles and welcome to the DWF half-year ’22 results presentation. Going through the agenda, I’m kicking off before then handing on to Chris Stefani for the financial review. He’ll hand on to Matt Doughty for a strategic update and then Kirsty Rogers is going to explain our ESG strategy which we’re all very excited about and then you’ll finish with me and some questions. We are hoping that our presentation will not last longer than 45 minutes. This whole session is scheduled for an hour, so we hope there are 15 minutes at least for questions. We started a bit late owing to a problem with the technology, but we can extend hopefully beyond ten o’clock if you’re still able to do so to make sure we get the full hour.

So moving on to the subject of today, we’re really pleased with the progress that we’ve made this past 20 months. The full year ’21 was a transformational year where we addressed the most obvious strategic issues quickly and action was very much top-down. This involved a restructuring of the business to take out those parts of the business that didn’t fit with our strategy and sector focus. Matt put a lot of effort into making sure that we built an infrastructure that could support the business and help create shareholder value and we devised and worked up a new operating model. And the full year ’22 has started very well from an operational perspective. The new operating model is working well. We are achieving incremental value. And of course the nature of the last… well the balance of this financial year has been a bottom-up approach in making sure that the new executive team who’ve come together for the first time and are working together very, very well, change their behaviours to adopt to the new operating model and we can achieve all that we’ve planned to do, and that is working very well.

Since May, we have bedded in the new operating model as I’ve mentioned. We’ve made two small acquisitions in the Connected Services division which I’m sure you’re aware of. We’ve established an office in Riyadh and made Riyadh, Saudi Arabia our regional headquarters for Mindcrest and Connected and the opportunities that we see there seem to be very good indeed. We’ve benefited from many new lateral hires, many who probably wouldn’t have talked to us two/three years ago and we’re also very pleased that we retained 94% of the last trainees to qualify as assistant solicitors. Notwithstanding the war for talent, we have managed to attract good people and retain good people. We’ve also achieved some great client wins. We’ve also secured panel positions and work wins for clients which are all very encouraging and what’s even more encouraging is the work we thought we would achieve from these panel wins and client wins have actually turned out to be at the levels that we hoped and expected.

We've also announced, and I've already mentioned this, our ESG strategy, although let me make it very clear, that DWF has been committed to the principles of ESG for many years. We don't see this as a fashionable move or something we should do. We have lived by this. This has been embedded in our culture and values that we are now very pleased to share our strategy with you today in relation to ESG. And we've made great progress on the financial front which means this is the end of my introduction and let me pass on now to Chris Stefani, our CFO who will take you through the financials. Chris, over to you.

[00:04:40]

CHRIS STEFANI: Thanks Nigel and good morning everybody. Pleased to be presenting our results to you this morning. If we could just go to the next slide, you will see the usual tried and tested format of our financial highlights. There's an extra metric on there as we're reporting on leverage now, but we'll come to that. The theme here in these results is of profitable growth, further improvement in working capital and a strengthening balance sheet. We've seen net revenue growth of 3.4%. That's the reported number. Now, we've also given a like-for-like figure which is 7%. The like-for-like is based on stripping out Australia because of the major impact of the restructure we did. We took out three locations in Australia, so the like-for-like gives the underlying growth rate which is a proxy for our organic development. So we're very pleased with that. You'll see later that that's very much the right side of our medium-term guidance.

Revenue per partner, which is a key productivity metric for us and also a bellwether for margin, has come up by 9% and you can see that's had exactly the effect that you might expect on the gross margin which is improved by 1.7 percentage points. That's really quite a step-change. I think that vindicates the decisions we've made in the past year to restructure parts of the business that weren't profitable, but it also just reflects ongoing resource management, productivity gains and the fact that all divisions are actually seeing margin gains. And I'll get to the nuances of that once we come to the divisional performance.

We've also kept a strong handle on costs. Our overheads as a percentage of revenue or our cost to income ratio has come down by a further 1.3 percentage points compared to the prior year and all of that as you get to the middle of the page here, gives an adjusted PBT outcome that we're particularly pleased with and proud of, just shy of a 40% improvement on the prior year and again you'll see shortly what that does is it brings us firmly into double digit territory when it comes to net margin.

EPS of course follows suit. There's not much going on in terms of the tax rate. So with 38% improvement in adjusted diluted EPS.

You then get to the balance sheet and we've seen a 15-day year over year reduction in lock-up. That's a continuation of the efforts that we're making to improve our working capital and shorten the lifecycle between charging an hour and actually collecting the cash. So a 15-day reduction year over year is also reflective of a five-day reduction since the April results which we ended at 186 and we're now down to 181, so very pleased with that.

Net debt has gone up as expected and that is because of paying some Covid deferrals, further deferred consideration for previous acquisitions and also the restructuring costs of Australia. They were all one-offs. There's a very small amount of deferrals left which means there'll be a much smaller call on free cash flows going forward and we enter the second half of the year with a cleaner balance sheet. Despite the fact that net debt's gone up, leverage has come down by 25 basis points. Now we report it here on a post-IFRS 16 basis. We guide on a pre-IFRS 16 basis. This is just the vagaries of reporting under IFRS, but also banking agreements tend to be operated under pre-IFRS basis, but I'll touch upon that again later. The trend is exactly the same.

If we could go to the next slide please. So this shows just a little bit more detail on our financial highlights and it really homes in on the growth in revenue which is 3.4% reported, but remember that 7% underlying that has driven and dropped through because of the operating leverage in the business to a very compelling uplift in our EBITDA of 27% and you can see also adjusted profit before tax around the middle of that table, that's the 40% increase. Worth noting though, we've quoted here also our EBITDA margin and our PBT margin, they have come up by 3.4 percentage points and 2.8 percentage points respectively, so that's where my reference to coming into double digit territory comes in.

Free cash flow has come down year over year, but that was as expected and is due to the outflow due to the paid in deferrals this year versus the benefit we had in the prior year of having the deferrals. So when you deduct one figure from prior year and add one figure to this year, you get a much smoother profile and you'll see a graph later that helps to draw that out a little bit.

Whilst net debt has increased, it will come down by year-end and the overall picture here, the strength of our performance has given us the confidence to declare the interim dividend which is in line with our policy of being one third of the prior year full-year.

If we could go onto the next slide please. So this is a revenue bridge just to help to draw out how we get from the 3.4% to the 7% like-for-like. You can see in the second bar, the Australia restructure and a very small amount of cost related to the other closures rebases our prior year down to the £160m and then you can see a contribution, a pleasing contribution from the acquisitions in Connected. That was Zing365 and Barnescraig and then a significant organic growth contribution very much in line with our medium-term expectations for organic growth and that's what takes us to the 7% like-for-like. We'll move onto the divisional results next and you'll see that that growth is coming across the board.

[00:10:26]

And if we could just actually move onto that next slide now. So this very much reflects a picture of the new operating model. It's the three divisional structure now that we signposted in our last set of results. And we believe that the pattern that we're showing here where all three divisions have shown revenue growth, all showing strong organic or like-for-like growth, everybody showing an improvement in the gross profit contribution and also positive gross margin percentage development. So a very strong picture and it reflects the fact that the new operating model is very much bedding in nicely and gaining momentum.

I think probably that's all that I need to say about this, other than the fact the Connected Services and Mindcrest businesses, whilst smaller in scale, they remain a particular focus area. There's an opportunity to continue to move work from Legal Advisory to Mindcrest to see further margin benefits.

Next slide please. We then move onto our trend graphs and we like to show these over a multi-year basis just to show how the business is developing. If you start at the top left, you'll see net revenue growth. The bars are absolute figures. The red line is the growth percentage plotted on the right axis and actually this revenue growth has a couple of data points on it, if you can see those in yellow and grey. So the red line is our reported growth and you can see that we're consistently growing the business over a two and a half year period. The reason for the plotting of the dots is just to draw out the organic performance. So the two yellow dots are the full-year organic performance for the two prior years and then the grey dot – it's quite small on my screen – is the like-for-like and it just shows that there is a positive organic development happening in the business and the arc that you see in the reported growth is due to the significant impact of the acquisitions that happened over the course of FY21. You can see the gross profit and margin development and the dip there is the Covid impact that we saw, that one-off impact that I think the whole sector saw on the first lockdown and then our steady and significant upward trajectory from that point. You see the slight dip from the prior year half two to current year H1. That's expected. It's the usual pattern. You get a bit of a zigzag pattern on margin and PBT indeed because you have a slight second half weighting to revenues but not so much second half weighting on cost. You can see the cost to income ratio on a steady downward drift and the best comparison here is to compare year over year rather than six months by six months because of that point I made about a slight second half weighting to revenues. All of that gives us the PBT margin trajectory that you see on the bottom right of the screen and I mentioned firmly into double digits, on an upward trajectory and I think actually approaching benchmark territory within the sector.

Next slide please. So this shows the balance sheet trends and dynamics and as I mentioned the reported net debt has gone up, but if you look at the bottom of the screen it's almost a reciprocal pattern. The balance sheet deferrals that we've been carrying, those liabilities for deferred consideration for acquisitions and also for deferrals related to Covid have been paid down and we're left with only £8m left to pay which will all be paid by year-end. So very much understandable and expected increase. And you can see that in the top right the leverage is coming down and will come down further by year-end. And then the bit that we can really control, the lever that we're pulling hard, lock-up days, a steady downward trajectory.

And then if we go to the next slide, you can see finally cash flow trends. So if you look at the right-hand side, the reported free cash flow looks a little bit volatile and the kind of rule of thumb here and the slide draws out the deferrals, is that the prior benefited from deferrals in the current year. It shows them being paid down. You can see on the left-hand side we've just bridged from operating cashflow and how have we used that cash and then highlighted the one-off outflows at the bottom left. So we've had a very strong operating cash performance. We've deployed that to strengthen the balance sheet and pay down deferrals and there's very little left to pay. So I think what we're seeing here is really probably the peak of net debt in the business and also the peak of leverage and we should see from the next six months and particularly then into FY23 an acceleration of the deleveraging of the business.

[00:15:17]

If we go to the next slide please. So this slide you will have seen before, just outlines how we think about capital management and deployment. Our dividend policy is highlighted here, up to 70% of adjusted PBT and our policy is to pay as an interim one-third of the prior full-year which is exactly what we have done. The borrowings and leverage we guided to between 0.5 and 1x pre-IFRS 16 EBITDA. The bridge between the pre-IFRS and post-IFRS is about 35 basis points. We have to report one as a KPI post-IFRS in our interims. We very much though guide as to how we think about this from a covenant perspective where we're very comfortable that we're operating within those.

On M&A we have deployed some capital this year as per our policy on the two Connected Services bolt-ons. If we were to do anything more material, we'd structure that differently, probably use more shared consideration as we don't want to deploy significant debt on M&A, certainly not at this point, but in the future once deleveraged we might take a different view.

And then finally capex, not a big number for us, up to £8m a year, tends to be focused on our strategic projects, particularly scaling up Mindcrest, a bit of IT infrastructure and also we will spend some money on reconfiguring offices. We think we'll be operating with less space, but we will reconfigure that space to make it more agile and more appealing for people to work in.

Next slide please. So we have continued confidence in the existing guidance. You can see it here laid out. I won't read it all back to you, but we've grown and our like-for-like growth is 7% so our medium-term CAGR of between 6% and 7% is absolutely safe. We've added 1.7 percentage points to the GM in the first six months of the year, so significant progress towards that margin target and we've seen the cost to income ratio come down by almost the same amount. We've taken five days out of lock-up compared to the 186 we had in April, so quite a bite taken out of that medium-term target and of course leverage on a downward trajectory. All of this guidance is on an organic basis from the starting point that included Barnescraig and Zing365. If we do any M&A we will obviously adjust our guidance accordingly.

And then finally, if we could just move to the next slide, a summary to reiterate the themes really. We have grown the business by 3% reported as 7% like-for-like. I think 7% really is the more representative figure because that Australian restructuring really was quite a material impact. That material impact though you can see it coming through in the gross margin, it has increased in the Legal Advisory where the impact of Australia would have been felt, but actually it's increased in every single division and that's for the second year running. We've also seen the cost to income ratio continuing to improve. All of that is what's driving the 40% uplift in adjusted PBT and from a point of view of the adjusted PBT margin, that's come up from 5% in FY20 to 10% in FY21 and we're now at 11% in HY22 and on an upward line of best fit. 15 days coming out of lock-up year over year and five days since the year-end, so lock-up management and the self-help to drive cash off the balance sheet is very much an ongoing priority for us. And all of that will help us to continue to deleverage the balance sheet. EPS has increased by 38%, very much in line with PBT and of course we've got the dividend which just underscores our confidence in these results.

That's everything from me. I look forward to taking questions from you later and I will hand over to Matt now.

MATTHEW DOUGHTY: Thanks Chris. Good morning everybody. Good to see you. I'm just going to take you through a few brief strategic updates. So firstly this is a fairly familiar slide and simply a reminder as to who we are. We have a clear purpose which you've heard about from us before, to deliver positive outcomes with our colleagues, clients and communities. Communities we interpret widely to include all of our stakeholders including our shareholders obviously. As you know, we provide not just traditional legal services through our Legal Advisory division, but also a range of business services via Connected

Services and Mindcrest. We're still the only global listed provider in our sector and the largest by headcount by revenue and by reach and we're a growing business with a high quality of earnings with room to expand our operating margins and improve our cash generation funding growth, but also providing compelling returns for shareholders.

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If we can go to the next slide, just a little bit about our strategy and who we want to be. Our strategy is to build a platform which delivers truly integrated seamless services to our clients and innovative solutions to their problems adding value and saving them time and energy. We're selective about the markets we serve and the products and services we deliver. We're building common systems and processes, investing in more technology and making ourselves more efficient by systematically moving certain process work to Mindcrest. And as we do that, our integrated proposition will evolve and be even more compelling, we hope, delivering innovative solutions to clients' problems and greater data driven insights to our clients, whilst all the time recognising that we can also continue to deliver services to clients from a single division on a non-integrated basis as and when a client's needs require it.

In addition, we operate in a fragmented global market with the largest players owning less than 1% of the legal advisory market and with even more opportunity in the alternative legal and business services markets. So that gives us a significant inorganic growth opportunity. Delivering on all of the strategy will achieve our vision we think to become the leading global provider of integrated legal and business services and enhance our financial performance.

Going to the next slide, the graph on the left simply sets out the building blocks for more profitable growth at DWF, organic growth, margin expansion and M&A and how they feed into the key elements of our medium-term guidance. Within each building block we have a number of strategic priorities that we're progressing that give us confidence in achieving that medium-term guidance and they're set out in the diagram on the right. So just taking each of those in turn on the right-hand side, organic growth, the key drivers here include our integrated legal management approach, so we're increasing the number of clients and proportion of revenue derived from selling two or more of our three core offerings. Our stratified client account programmes continue to increase our revenue and increase our penetration by geography and service line. We're very pleased with the results of the recent client census where we had a record number of clients participate globally, more than 500 clients actually and we increased our net promoter score to 63 from 49 in the last survey in April 2021. Previously announced material new client wins are delivering or exceeding expectations.

We added 16 new partner hires in H1 and we continue to see a strong pipeline in key locations around the world from really good quality, competitor firms with two more partner hires already signed up or joined rather and three more that have already signed up, so we've got an extra five since the half year-end and we've also got a number of internal partner promotions scheduled for January. We're also really pleased with the new association that we've achieved in Saudi Arabia to complement our own newly opened Business Services headquarters there and we're working on other potential associations in new markets. We're focused on driving further organic growth also through Connected Services and Mindcrest through more direct and market sales activity and through promoting our integrated services to more existing clients.

On the margin expansion side, Mindcrest obviously is a key component here in terms of the best shoring strategy where we're making good progress in terms of identifying areas of work that can be delivered through Mindcrest in Pune in particular. We still see significant opportunity to redefine our ways of working post-Covid and as Chris has said, including a reduced physical footprint with potential premises cost savings as a result. And our market analysis indicates that we've got further opportunity to increase rates in the UK and we've also got pricing opportunities as we move more work to Mindcrest. We're also continuing to invest in technology with ongoing work on a new case management system for Mindcrest in particular.

At this point I usually hand to Nigel to talk about the M&A but in the interests of time, I'm just going to cover that briefly here this morning. We really think about M&A through three lenses, I think. One is about opportunities to scale our existing operations. As I say there are areas where we believe we've got room for further growth, so Germany would be a good example. It's the largest economy in continental Europe and we certainly don't believe that we have a full-scale legal advisory operation in Germany at this point, so that's an example of something that could be a logical area of focus for us in the future. Similarly we think about new markets and how we might enter new markets particularly on the legal advisory side and there are some obvious additional jurisdictions that we might look at in due course, such as Canada which is an interesting London insurance market opportunity and eventually the US. And we also think about adding new services particularly on the Connected Services side where we think about whether we want to grow our corporate services offering our regulatory compliance and consulting offering and potentially thinking about ESG consulting as well.

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Moving on to the next slide just for a brief moment on the Pulse survey results which are referred to in the RNS, we're really pleased to see that the engagement index score has increased again. It's the third consecutive increase since Nigel and I joined the executive in May 2020 and that's in the context of an increased response rate with an extra 350 people responding this time, which makes the increased scores all the more satisfying. One area which requires more focus is reward which is not at all surprising in the current environment and it's something we're addressing through our annual pay review which becomes effective on the 1st of January. It's just worth noting that headcount has actually increased since year-end and against the prior year. We've factored pay increases into our budgets and our guidance. Our group bonus plan delivers additional reward for strong individual performance, so we think we remain competitive in the labour market and we can also allocate share rewards at all career levels as a means to attract and retain talent which we think sets us apart from many of our competitors.

Of course it's not all about pay and the results of the Pulse survey underling how important other factors such as culture, values, clear strategy and leadership and career prospects are. We receive regular feedback from colleagues that really emphasises the importance our teams place on all of these things and the Pulse survey gives us the data that supports that. Our purpose and new ESG strategy are at the heart of this and engaging all of our colleagues in our ESG strategy and what it means for them, our business and all of our stakeholders will not only enhance our financial performance and help to deliver on our purpose, but improve our ability to attract and retain talent in the business.

So with that I'll hand over to Kirsty now to tell you more about our ESG strategy.

KIRSTY ROGERS: Thanks Matt and morning everybody. I'm very pleased to have the opportunity to tell you about our ESG strategy. And our ESG strategy is about how we do business and flows from the purpose that Nigel and others have already spoken about to deliver positive outcomes with our colleagues, clients and communities. And it's about how we go forward with all the stakeholders and focus on people and planet. And it is about a future focused sustainable and accountable business and doing the right thing. It builds on the work that we have done over many years as a responsible business and the strategy has a 2030 vision with a two to three year rolling plan centring on six material factors. And we've identified these material factors from detailed insights from all stakeholders via a six-month process of a materiality assessment. And the strategy is linked to the UN Sustainable Development Goals, as many are and as you might expect. The factors include climate action, working towards being a net zero business and setting KPIs that ensure we reduce emissions to keep us in the 1.5 degree trajectory set in the Paris Agreement by 2030. To that end, in June we signed the letter of commitment to the Science Based Targets initiative and submitted our pathway targets for approval just this week, a 45-page submission. And we also focus on diversity and inclusion continuing our commitment to better representation across all aspects of diversity by setting ambitious targets for improvement, as well as enhancing and improving inclusion across the board.

Empowering colleagues and our communities ensuring that we have a skilled workforce that is future ready and engaged with a voice is important. So that in this time in particular their mental health and wellbeing is paramount and we connect to and support the most vulnerable in society through our community work by supporting the DWF Foundation, volunteering, giving money to food banks and working with local charities. Not surprisingly as a law firm acting with integrity is a core feature of our strategy and we will work with all stakeholders on enhanced due diligence of ESG factors as well as escalations of ESG risk because we must hold ourselves accountable for the way in which we do business both internally and with clients, suppliers, investors and regulators. And our Code of Conduct reflects our commitment to this already, but we will continue to review it. By our due diligence and also the work we undertake with clients on ESG matters, we will support and connect with them and by helping our clients we can genuinely say that we are working in a circular economy as helping them helps us with our own responsibilities.

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Finally trust and transparency is a critical factor. Our ESG disclosures and reporting will reflect our commitment to transparency and demonstrate our progress and determination to be a leader in the responsible business world. The KPIs we have set will be part of this transparency.

Next slide please. To demonstrate this commitment, we have set out KPIs in the two most critical areas of climate and D&I. Firstly on the environment we will reduce Scope 1, 2 and 3 emissions by 50% by 2030. We have calculated what we need to do to achieve this and we are confident that we can, indeed we have to, albeit that Scope 3 in particular is more challenging. We believe our colleagues will be engaged to achieve this and we've already made inroads in engagement on this factor. Our focus is on actual reductions in our emissions by cutting energy use, transitioning to renewables and significantly reducing the frequency and carbon intensity of commuting and business travel and investing in solutions that remove carbon from the atmosphere. We use various ESG platforms to evaluate our efforts including Business in the Community's Responsible Business Tracker and EcoVadis and DWF have been assessed as scoring in the top 25% of all companies currently in their network and that's a very recent assessment.

We will also on people increase the proportion of women on the Plc and executive boards to at least 40% by 2025 with the same target applied to the proportion of women in all senior management roles. And in the UK we will increase the representation of black, Asian and minority ethnic colleagues across senior management to at least 10% by 2025. In the UK we will also increase representation of black, Asian and minority ethnic colleagues across all career bands to at least 13% by 2025 and increase black representation overall and in senior roles to at least 3% by 2025. We will over time set other KPIs but believe that those we have set and are focused on are ambitious and reflective of appropriate leadership.

Next slide.

SIR NIGEL KNOWLES: Hi. So I hope you found that presentation really helpful. We are very pleased indeed with the progress that we've made. We've been working hard. Fortunately we've made the progress that we've been able to share with you today. It is of course a continuum. You never arrive at your destination; there's always more to do, always more to achieve. We are not capable of complacency in my view and will continue to push hard to achieve everything else that's available to us to benefit all our stakeholders and assure our clients and our people and communities which is all the principles of ESG which Kirsty has very eloquently delivered the presentation on. So I think we are in a situation where we can hand over to everybody who's joined this call for questions. I think the people who are organising the Webex will explain how you lodge a question and we can then take it from there. I'll deal with as many as possible, but hand on of course to Chris on financial, Kirsty on ESG, Matt on operations and his presentation, but we're looking forward to hearing your response and thoughts. So how do we move on with the questions?

MALE: Thank you sir. 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. We'll pause for just a moment to allow everyone an opportunity to signal for questions.

So the first question comes from Robert Plant from Panmure, please go ahead.

[00:34:57]

ROBERT PLANT: Morning everyone. In terms of working patterns, does DWF have a policy in terms of how many days you expect people to be in the office and related to that, you probably have some very expensive real estate with the Walkie Talkie building. Are you committed to that building? Thanks.

SIR NIGEL KNOWLES: Well we've got expensive real estate, not limited to the Walkie Talkie building Robert, so it's a very good question. Matt has put a lot of effort into working out what we should expect of our people in relation to attending the office and of course it keeps changing and it possibly changed again last night with the Prime Minister's press conference. But let me just hand on to Matt on this one because he's done all the work and he's been the guy who's been setting the policy. So Matt, over to you if you are happy with this.

MATTHEW DOUGHTY: Thanks Nigel. Morning Robert, good question. Look, it's a fluid, dynamic environment isn't it but actually for the last 18 months or so we haven't mandated a particular amount for our colleagues to spend in the office. We recognise that different teams service different clients with different types of work and therefore the team dynamic in individual teams can be very different, so we've left it for individual teams to determine quite how they might work. We think that's been the right thing to do. It's a completely agile model. We've attracted talent through that model. We've had new recruits who have said to us that they've left their existing firm because they weren't comfortable with having a mandate applied to them that said they had to be in the office a particular number of days. So it's actually worked to our advantage in the labour market. I don't see us changing our policy on that going forwards. I think we need to retain flexibility and I think we've been proven right on that so far. We are on a journey to sort of reimagine how our offices might be designed, particularly those bigger offices in the UK. We do see an opportunity to reduce the physical size of footprint but still maintain plenty of capacity for further growth and we don't, based on the data that we have from internal surveys we've done, whenever we do normalise post-pandemic we don't really see a situation where colleagues will be in the office more than two to three days a week for the most part. We think that does give us flexibility. As Nigel says we have got a number of locations that are expensive. London is one of them and yes we would be open to trying to do a deal to reduce that space or exit that building at some point. So I think I've said to shareholders before, we have had most of our real estate available through Savills globally because we're open to looking at opportunities to reduce our real estate and that continue to be the case.

SIR NIGEL KNOWLES: It's also worth mentioning, if I may just… am I on? It's also worth mentioning that there are some regional variations for this. For example, Milan has had nearly everybody within the office working in the office for several months now and I also think the same applies in the Middle East. So in some places around the world offices have been occupied as normal, but obviously with the UK as the largest area and that's been different. But again there have been regional variations. Belfast has had more people in than for example London, but Matt's described our overall approach to this. So next question.

MALE: The next question comes from Sam Dindol from Stifel. Please go ahead.

SAM DINDOL: Morning guys, thanks for the presentation. Morning. Three questions from me please. Firstly on the integrated model, are you able to say how much of revenues is from two or more divisions or the trend in that, to get the sense around that. Second on lock-up, this is very good progress particularly over the last 12 months. Is there a sense that that 170 target could look a little bit light when we get to 2024? And then finally on revenue per partner, again very good progress or 9% up year-on-year. Where does that trend to over the medium term and how much more is there to go there? Thank you.

SIR NIGEL KNOWLES: Thank you Sam. Well look, I'll deal with the first question and then leave the second to Chris, although I think I can quickly say that 170 will go lower when we get to 170 because we are on a continuum and we'll never be satisfied. But the situation on… and it's a really good question about divisions. We are seeing a real positive move from our larger clients to see the appropriateness of having three divisions and there's a lot of crossover now between Legal Advisory and Mindcrest, Legal Advisory and Connected and even between Connected and Mindcrest. And I think we've got to a situation where our largest 50 clients are using us for two or more divisions. But it's not just about that Sam.

[00:40:02]

First of all, we want our clients to use us for more divisions, but secondly, particularly in Legal Advisory, we want them to use us for more of the practice areas within Legal Advisory. So if they're using us for corporate, we want them to use us for real estate or for litigation or employment and pensions, whatever it might be. We are through our key account programme and through programmes that we've called accelerate and tomorrow's clients, really looking hard at how we manage to share our clients with our partners in each of our offices, in each of our divisions and geographically. So we are really pushing hard to get a greater share of wallet, if I could describe it across that, from our larger clients and from the clients that we think have got huge potential for us across every division, across every practice group and across every geography. And we measure that every 90 days and we are seeing progress every 90 days. And I think our attention to clients and giving clients what they want has come through very strongly in the net promoter score that we're now enjoying and or commitment to giving clients what clients want after we've talked to them about what clients want rather than what we think they want. So I think our commitment to client care and the share of wallet that we're now achieving and the additional work we're getting across divisions, practice groups and geographies is really paying off. Chris, lock-up.

CHRIS STEFANI: Yeah, thanks Nigel and thanks for the question Sam. Yeah, obviously six months ago or not even six months ago when we came out with our guidance, we said our target starting at 186 was 170 days in the medium-term, so that 16-day bridge we've taken five days out of that in six months, so you're quite right to challenge us on that. I think we're not ready to re-guide or change our guidance on it, but certainly it does feel as though we're on a trajectory that ought to get us there quicker and that's definitely what we're pushing for because we still see opportunity on lock-up. But I think we'll probably have more to say about that at year-end hopefully because the proof of the pudding is in the eating, as we say.

On revenue per partner, another good question. Growing by 9% reflects a couple of things. One, just partner productivity improving. We had some forced attrition in the partner group that didn't lead to any loss of revenue and I would expect revenue per partner to continue to trend ahead of revenue growth, mainly because we'll make selective investments in additional partners where we see near-term revenue opportunities. But we'll also continue to see growth in two of our divisions which are not partner led, Mindcrest and Connected. So basically seeing revenue per partner trend ahead of revenue growth will be a signpost for the strategy continuing to develop with the focus on growing Mindcrest and Connected, albeit we'll be investing across the whole business, but we do expect those businesses to increase. And of course you've got a growing numerator and a denominator in partner head count that might well grow at the same pace. So that's how we should be thinking about revenue per partner development.

SAM DINDOL: Brilliant, thank you.

SIR NIGEL KNOWLES: Thank you Chris. The next question please.

MALE: James Allen from Liberum, please go ahead.

JAMES ALLEN: Morning guys. Can you hear me okay?

SIR NIGEL KNOWLES: Yeah, perfectly.

JAMES ALLEN: Brilliant. Three questions if I can. The first one is just on RCD. I was just wondering how that is growing in the mix. The second question, obviously the last couple of years in terms of the H1/H2 revenue split has been muddied by Covid and M&A. I was just wondering, in a normal year, what would you say is a typical H1/H2 revenue split? Would 45% H1/55% H2 sound reasonable? And then the third question, I think at the FY21 results you showed a slide showing the value of work referred and a referral rate to indicate cross-selling. Do you have the same stats for the H1 22 results?

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SIR NIGEL KNOWLES: In relation to RCD, all good questions. In relation to RCD the Spanish acquisition, coincidentally enough last week Chris, Matt and I spent half a day with the Spanish leadership and had a really good conversation about where we'd got to and where we thought we could get to going forward. It was a very positive conversation. RCD have delivered everything we expected them to deliver. They're well integrated into the business. Several of their people are now taking leadership positions with the firm. There is a lot of work that's now beginning to pass as a result of what I've already mentioned in relation to identifying clients and sharing clients with more geographies and more practice routes. So I think RCD has been a great acquisition as was the Warsaw, as was and is Mindcrest, all the acquisitions that we've made since IPO, and they are playing a very positive role and of course we need them to because they are the largest acquisition, they are the largest critical mass outside the UK. And they are a very good example to people who might want to join us as to our commitment to and our ability to run a multi-site, multi-geographic business and to grow it. So I think we can be very positive about the Spanish acquisition and where they've got to.

In relation to revenue split, I've got my own thoughts on that from having been in the legal services sector for more than 40 years. I can't believe it's that long, but it is. But I think Chris has had more experience of the DWF split, so I'll let Chris deal with the revenue split.

CHRIS STEFANI: Thanks Nigel and James just for the Spanish question, if you check out note 3 I think it is in the segmental split, you'll see around about 5% growth in Spain, so good organic development there. H1/H2 split, you're quite right that there is quite a bit of volatility in the past few years. So I wouldn't say there's a pattern that would be discernible. This year, the interesting bit is the fact that we've got a much smaller Australian business and of course Australia have their summer in the second half of the year and that would have impacted quite a bit in the prior year and will be much less impactful this year. My best estimate is something in the region of 48%/52% H1 versus H2, but that could vary by sort of a half to three quarters of a percentage point either way. It's difficult to say. But there's definitely a back-end weighting and it will probably be a bit more pronounced because we don't have that impact in a large jurisdiction of another long holiday period.

MATTHEW DOUGHTY: James, on the third question that you had about the slide on Connected from the last presentation, I think that was one of my slides, I think what that slide was articulating was that we expected a revenue conversion from referrals from Connected into Legal Advisory that would be at about an £8m sterling run rate for the full year this year and we're on target for that. That's still our expectation.

JAMES ALLEN: Brilliant, thank you very much.

SIR NIGEL KNOWLES: That's good. Did we answer all the questions? Hopefully we did. Next question.

MALE: Michael Allen, Zeus Capital, please go ahead.

MICHAEL ALLEN: Morning gents, just checking you can hear me.

SIR NIGEL KNOWLES: Yeah, perfectly Mike.

MICHAEL ALLEN: Yeah, great. A couple from me if I may. Just on the insurance market and rising ESG standards and congrats on the strategy that you've outlined this morning as well. I was just wondering if there's any more capacity or any signs of capacity coming out of the market or any further consolidation in that market or indeed any other market due to rising ESG standards. That will be my first question. And then the second question really just in terms of geographic expansion and you've talked about different experience around different cities around the world in terms of using offices. Is that a consideration when you might look at greenfield geographic expansion, i.e., are you looking for markets where hybrid working is a bit more uniform that gives you a cost advantage or not? It would just be useful to understand a bit more how you might think about geographic expansion and whether the economics have changed. Thank you.

[00:49:45]

SIR NIGEL KNOWLES: Okay, both really good questions Mike. The first question I'll leave to Matt, but the second question about geographic expansion, I'll give a flavour of our thinking. First of all we wouldn't go anywhere in the world or build further capacity in any city in which we already have a presence unless we thought there was real relevance in relation to clients, potential clients and our ability to be successful. So the first real requirement in terms of establishing any presence anywhere in the world is that it's a country that's well run, it's got a proper economy, our clients are interested in the country and there's a real prospect of being able to satisfy our clients' needs and be successful, and that's really quite important to us and is essential, in fact. So that would be the first criteria.

The second criteria is that you can't impose one-size-fits-all when you look at geographic expansion. You've got to look at the local business community, you've got to look at the local culture and you've got to adapt to that. So there'll be some places in the world where people will want to go to an office. Germany is an example I think at the moment where they're still attending offices and they still want cellular offices as opposed to open plan offices as opposed to touchdown spaces as opposed to two or three days a week. So everything differs and you've got to, in order to be successful, be receptive to local values and culture. Even though we have a strategy and a vision and our own culture and values and our commitment to ESG, you've also got to be mindful of the local conditions, which we would be in deciding where to go. So we wouldn't say that we wouldn't open an office unless people adopted the same principles for office working as we might do in the UK. You've got to be more flexible than that and actually our principal objective is to go where clients want us to go and where we believe, as a result of our service offerings, we can be successful. Matt, do you want to talk about insurance and the linkage into ESG?

MATT DOUGHTY: Yeah. I wasn't quite sure whether I understood the question Mike. Was it really about what opportunities do we see in relation to ESG in particular markets? Was that the point?

MICHAEL ALLEN: It was more whether competitors are being edged out of the market because of rising ESG standards, i.e., is capacity coming out of the market?

MATT DOUGHTY: Yeah, so I think I understand where you're going with that. So we definitely see a very enhanced level of due diligence coming from our bigger clients in relation to ESG. So we have, particularly on the insurance side, insurers focusing on all aspects of their supply chain and really wanting to scrutinise what suppliers own ESG strategies are and trying to put supply chain under pressure to sort of achieve particular savings. Of course we're very well set in that regard because we're very well advanced in terms of our own ESG thinking and have some very stringent targets of our own. So I think we have no issues in terms of dealing with insurance clients and other large multinationals. But certainly the level of assurance that is now coming through from large multinational clients, not just in relation to climate action, but in relation to diversity and inclusion, we get in most bids these days requirements around the client account team and who's going to deliver work to clients, has to be a diverse team often with specific metrics around what that might look like, often enquiries around our activity on climate action as well. So we see ESG factors coming into bids and tenders very significantly and some clients being very direct about the lack of willingness to work with law firms if they're not meeting the right standards in terms of D&I and climate. Kirsty's really on the forefront of this. Kirsty, would you like to add anything to that because you're seeing it on a daily basis? I think you're on mute Kirsty, sorry.

KIRSTY ROGERS: Sorry, yeah, certainly it's a bit like a tidal wave in terms of the amount of questionnaires we are getting around our behaviour on ESG, but the insurers in particular over the last two weeks in fact have asked us searching questions and I've been asked yesterday to present to a big insurer on Monday about our strategy because they see us as a leader in relation to certainly science-based targets and on their other suppliers to behave in the same way. I had an email last night saying could you present on Monday morning please. So very last minute, but they're very, very keen on it. And we did quite a big piece of research for about 480 companies globally and 60% of them said they'd lost work because of ESG issues, so I think not just insurance, across businesses if people aren't getting it right, they're starting to lose business because of it.

[00:55:33]

MICHAEL ALLEN: That's great, that's very clear, thank you.

SIR NIGEL KNOWLES: Mike, being committed to ESG and it's very important that we make the point that I think we are well ahead of most businesses. We have lived by the principles of ESG, although it's not been described as ESG for very many years in relation to the way that we've conducted business and achieved positive outcomes. Being a listed company actually puts additional responsibilities on us which we're very happy to live by and as you can see from today's ESG strategy, we're well on our way with it. We don't see it as something that's fashionable and we've got to do it. We've been doing it for a long time and I think clients get that. So it does give us a competitive advantage as against a lot of firms who sometimes use it as tokenism or sometimes use it because they think they've got to do it but they don't necessarily believe in it. So I think we really are well placed in relation to ESG and it's a very good thing that we've put all the effort in that we've previously done over very many years as I mentioned already. We're at 10:02. We've probably got time for one or two more questions because we did start five or six minutes late. So is there another question?

MALE: No sir, there are currently no further questions in the queue.

SIR NIGEL KNOWLES: All right then, okay. Well look, all the presenters are very pleased to have been able to give you a report on the progress of the last six months and in particular the numbers and our ESG strategy and an update on our strategy. Thank you very much indeed for your interest in what we're doing. We're always available to talk to people who are interested in our company and what we're doing and what we're trying to achieve, so always feel free to contact us and thank you very much indeed for your time today. We really do appreciate it and we'll see you all around or on screens. Thank you once again. Goodbye.

MALE: Thank you. This concludes today's conference call. Thank you for your participation ladies and gentlemen. You may now disconnect.