26 June 2018

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Knights Group Holdings plc

("Knights", the "Company" or the "Group")

Placing and Proposed Admission to trading on AIM

Following the intention to float announcement on 4 June 2018, Knights, one of the UK's fastest growing regional legal and professional services businesses, today announces the successful pricing of its initial public offering (the "IPO" or "Offer") at 145 pence per Ordinary Share and the placing of 20,689,656 new (the "New Ordinary Shares") and 13,793,104 existing (the "Sale Shares", together with the New Shares, the "Placing Shares") Ordinary Shares with institutional investors to raise gross proceeds of approximately £50 million.

Offer Highlights

- The Offer Price has been set at 145 pence per Ordinary Share, which results in a market capitalisation of approximately £103.5 million; the Placing saw strong demand from institutional investors and was significantly oversubscribed

- The Company will receive gross proceeds of £30 million pursuant to the Offer which will be used to repay the majority of its existing debt and fees. The Directors believe that the IPO will enable the Company to accelerate its growth strategy, both through organic and acquisition led growth

- The Selling Shareholders (being Bal Johal, Karl Bamford, Joanne Beech and Mark Beech) will receive gross proceeds of £20 million. David Beech, the Company's Chief Executive Officer, retains a shareholding in the Company of approximately 45.5%; Bal Johal, Chairman, will hold approximately 1.7%; and other management will together hold approximately 3.4%. Non-executive directors Stephen Dolton and Richard King have subscribed for 51,724 and 34,482 Ordinary Shares respectively as part of the Offer

- David Beech will be subject to a 3 year lock-up arrangement in respect of his holding of Ordinary Shares following Admission; Karl Bamford, Bal Johal and Mark Beech are subject to a 1 year lock-up

- Admission to AIM and the commencement of dealings are expected to take place at 8.00am on 29 June 2018 under the ticker KGH.L. Its ISIN number is GB00BFYF6298 and its SEDOL is BFYF629

- Immediately following Admission, the issued share capital of Knights will be 71,379,311 Ordinary Shares with an expected free float of approximately 48.2%

- Numis Securities Limited ("Numis") is acting as Nominated Adviser and Broker in connection with the Offer

- Full details of the Offer are set out in the Admission Document, which will be available at www.Knights1759.co.uk and, from Admission, will be available on the Company's website www.knightsplc.com

Commenting on today's announcement, David Beech, CEO at Knights, said:

"This IPO represents an exciting milestone in the growth of Knights. I am delighted there has been such a strong interest from leading institutional investors and I welcome all our new shareholders to the register. We believe that the admission to AIM will provide us with a platform to continue our rapid growth, attracting business organically and boosting our profile to secure acquisitions.

"We are looking forward to the future as a listed company which will help boost the Company's profile, whilst also giving us the financial and operational flexibility to maintain our strong growth rate and pursue our development strategy to create further value for investors."

-Ends-

Enquiries

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Notes to Editors

Knights is a fast-growing, regional legal and professional services business, ranked within the UK top

100 largest law firms by revenue. Knights has specialists in all of the key areas of corporate and commercial law so that it can offer end-to-end support to businesses of all sizes and in all sectors. The Company's main focus is on the UK's secondary regional markets, offering 'big city' quality expertise from a regional cost base. Currently, Knights operates from six offices: Newcastle-Under-Lyme, Wilmslow, Chester, Derby, Cheltenham and Oxford, with approximately 350 fee earners and 430 employees in total. A further 63 employees and a seventh office will be added to that number following completion of the acquisition of Turner Parkinson LLP ("TP") on Admission.

Knights was one of the first law firms in the UK to move from the traditional partnership model to a corporate structure in 2012 and it is this clear separation between management/ownership and partners that the Directors believe has been the key contributor to the Group's profitable growth in recent years, and which makes the Group well positioned to compete with and disrupt the independent regional firms which are ranked beneath the top 50 largest UK law firms.

The business has, over the three years ended 30 April 2018, generated compound annual growth in revenue and adjusted operating profit of 31.4% and 25% respectively. For the year ended 30 April 2018, reported revenue of the Knights 1759 Group was £34.9 million, adjusted operating profit (excluding non-recurring costs) was £6.8 million (representing a margin of 19.6%) and adjusted operating cash flow (excluding discontinued and non-recurring costs) was £6.4 million representing over 93% operating cash conversion for the year (excluding TP, which itself generated revenue of £8.5 million and adjusted 'corporatised' operating profit of £1.9 million for the same period).

Key strengths

1. An entrepreneurial pioneer following the UK Legal Services Act

Knights was one of the first commercial law firms to corporatise and adopt the ABS model following the change in English law in 2007 and is still one of very few commercial legal services businesseswith a clear and long-standing separation between management and the partners.

By having this separation, the Directors believe that Knights' management, unlike a traditional partnership, are able to run the business more effectively by resolving people issues efficiently (particularly poor performance or behaviour of partners) resulting in a high performance, functional business culture.

Separating management and fee generation has also removed the traditional partner politics focussed on personal client billings alone, freeing-up fee earners to concentrate on client service in a collegiate environment. Knights' meritocratic-based career path to partnership also offers transparency and motivation to aspiring non-partner fee earners. Knights' dedicated professional management team are, therefore, able to focus on delivering the overall business strategy, executing acquisitions and driving profitability across the Group.

2. Disruptive B2B legal services model in a highly attractive, fragmented market

The UK legal market remains highly fragmented with approximately 85% of the 12,000 legal practices classed as small, with four or fewer partners. The mid-market, which is typically recognised as being those law firms ranked between the 16th and 200th largest UK law firms by revenue, accounted for approximately 25% (approximately £8.7 billion in aggregate) of total private practice revenues in 2017 (source: The Lawyer UK 200 2017). This large spread of mostly traditional law firms, together with the increased pressure from clients to seek more cost-effective methods of work, has resulted in a clear opportunity for Knights' long-standing meritocratic corporate structure to act as a disrupter amongst its B2B peers in terms of both winning client work and identifying target firms, teams and individuals to join the expanding Group.

Another recent trend experienced by the legal industry has been the outsourcing of legal services which cannot profitably be delivered by more expensive global law firms (such as the 15 largest law firms in the UK by revenue) or by in-house teams with limited resource, to a more cost effective regional alternative. Knights has been engaged with this outsourcing trend for several years, having relationships with both larger law firms and in-house counsel and the Directors expect this trend to continue to develop as the market evolves, with additional opportunities being unlocked as a result.

3. Full service operations from secondary markets predominantly outside of large cities

Knights generates revenue across the full-spectrum of legal services but with a general geographic focus on high density secondary markets predominantly outside of large cities, where there is more limited local competition for clients and talent. Consequently the Group is able to offer 'big city' quality both to clients and fee earner recruits alike, from a lower cost base.

The Directors believe Knights' offices provide its employees with a more modern working lifestyle and better work-life balance; including a shorter commute and lower cost of living. When adding this to the Group's collegiate, transparent structure and typically higher remuneration levels, Knights has been and remains an attractive proposition for high quality recruits, tending to overcome any shortcomings that may be perceived by not having 'city-centre' locations. In addition, the Directors believe that a public listing will provide even greater flexibility, allowing the Group to offer employee share schemes to further increase attractiveness to new recruits and motivate and incentivise its existing employees.

4. Resilient business with high quality of earnings and deep client relationships

Knights was engaged by over 7,600 clients on approximately 14,000 matters in the financial year ended 30 April 2018. Approximately 70% of fees generated in 2018 were repeat business from existing clients with an average matter value of £2,500 and the largest client representing 5.6% of total revenue (the top 10 clients representing less than 18% of revenue in each of the last three financial years). Similarly, there is no material concentration of work within a select number of partners (as is often the case in other law firms) with the largest billing partner representing 2.6% of revenue in the financial year ended 30 April 2018.

Despite this large client base, the Group retains high levels of client satisfaction, as evidenced by its high Net Promoter Score of 79% (based on client responses in the week commencing 2 May 2018).

Equally, by having a good spread of longstanding clients who are typically serviced across more than one of the business service disciplines, as well as a large fee earner population actively engaged in their client relationships and each contributing relatively similar levels of fee-income (based on their level of qualification), management are able to mitigate from the risk of losing 'key client' accounts or partners.

Knights focuses heavily on cash collection. For the financial year ended 30 April 2018, the Group had a significantly lower average WIP plus 'debtor days' of 113 compared to the market average of 161. Taking out of this calculation clinical negligence work in progress which operates under conditional fee arrangements (i.e. being contingent on the outcome of the matter), average WIP plus 'debtor days' were 77 as at 30 April 2018.

5. Highly scalable business model requires lower support costs

Historically law firms have struggled to adapt to the evolution of the work place with fewer fee earners using advances in technology to maximise efficiencies in the delivery of legal services. This has resulted in law firms averaging, across the market, 1.5 fee earners to every non-fee earner (source: PwC Annual Law Firms Survey 2017), often, in the opinion of the Directors, with partners or senior fee earners feeling morally obliged or comforted by having a long-term personal assistant dedicated to them and their files.

By separating management from partners at an early stage, Knights has been able to follow a more efficient system of business process management, with a 4.5 fee earner to non-fee earner staff ratio at April 2018. This has driven higher profit margins and it has also resulted in fee earners taking greater ownership over their work and, the Directors believe, becoming better skilled to face the ongoing technological challenges that face the legal sector.

The Directors expect this ratio to further increase as the Group undertakes further acquisitions of other firms and rationalises their non-fee earning staff, as well as further investing in lateral hires of additional fee earners and technology.

6. Multiple organic growth levers driving value creation

Historically, the Group has demonstrated its ability to grow organically with the lateral hiring of both teams and individual partners. This ability to attract personnel from local and national peers underpins Knights' growth strategy, as such individuals typically bring with them an immediate revenue producing client following, with minimal or no cost of acquisition to the business.

In addition, the Directors are keeping under continued review the potential to roll-out new offices in attractive regional locations with limited competition and, in particular where opportunities cannot easily be unlocked by acquisition. One such region is the North East, where the Directors and senior management are reviewing the market and considering what options are available to the Group.

7. Value accretive M&A strategy underpinned by proven track record and pipeline of opportunities

Alongside Knights' organic growth strategy, the Group has a successful track record of acquiring small regional commercial law firms in attractive locations across the UK. The Company has a proven method to identify, execute and integrate earnings-accretive acquisitions, demonstrating an ability to unlock value from the more traditional partnership structures.

To date, the management team have completed three acquisitions: the original MBO of Knights Solicitors LLP (Newcastle-under-Lyme) in June 2012; the acquisition of the Chester office of Hill Dickinson LLP in October 2013; and the acquisition of Darbys Solicitors LLP (Oxford and Hale) in January 2016. All three businesses were facing mounting financial pressures at the time of acquisition and have since been turned around by Knights' management into profitable offices, serviced by one central support office in Newcastle-under-Lyme. Acquisitions are an important method of employing new fee earners for Knights, represented by the 135 fee earners who joined Knights from Darbys when it was acquired in January 2016.

The Group has recently exchanged contracts to acquire the membership interests of TP, with completion taking place on the earlier of Admission and 1 August 2018. Unlike previous acquisitions undertaken by Knights, TP is a financially stable and profitable business. However, the Directors still believe that annual costs savings of at least £200,000 per annum, once the TP business is fully integrated, are achievable. Further, the Directors are of the opinion that entering the Manchester market-place will also allow Knights to bolster its existing teams and drive further value and scalability for the Enlarged Group. Despite completion of the acquisition expecting to occur on Admission, under the contractual terms of the acquisition, the economic transfer of TP will have an effective commencement date of 1 May 2018, resulting in the Enlarged Group having the full year's benefit of the additional earnings from TP in the current financial year ending 30 April 2019. The Directors believe that this acquisition evidences the ability of the Group to conclude acquisitions of attractive, growing practices as well as turnaround situations.

Strategy

1. **Organic growth**

While the UK legal services market is forecast to provide robust underlying growth, management believe that clear opportunities exist for Knights to continue to grow organically much faster than the market, in particular from (i) attracting new talent (be that individuals or teams) wishing to be a part of a progressive legal services business; (ii) roll-out of new offices into target regional locations; (iii) outsourcing from national and international firms; and (iv) enhanced cross-selling, through the addition of new service lines. Whilst legal services will always remain at the heart of the business, management believe there is a compelling logic to adding complementary business services, such as corporate finance and surveying, alongside Knights' existing service offerings. The Group already has a successful town planning business that was developed organically from a team that joined the business in 2014 and which complements the real estate law practice.

2. **Acquisitive growth**

In addition to organic growth, Knights intends to be at the forefront of consolidation within the regional UK legal services sector, building on its successful acquisition strategy to date. Admission will provide enhanced profile, funding and consideration structures and is expected by the Board to make Knights more attractive to potential targets. Acquisitive growth will be achieved through the acquisition of: (i) legal teams or firms offering geographic expansion into attractive, new regional markets for Knights; or (ii) complementary business services. A broader set of services will increase the potential for cross-selling to existing clients and represent a stronger sales proposition for potential new clients.

Through delivery of this strategy, management have set out the following growth targets to achieve by the financial year to April 2020:

- The recruitment of more than 200 additional fee earners.
- Continue to maximise support staff efficiencies by further leveraging overheads.
- 9+ offices (from 6 today, plus TP's Manchester office).
- The completion of at least three further acquisitions.

3. **Operating leverage and efficiency**

The Directors are focussed on achieving a 100% cash conversion on client matters by reducing WIP days (i.e. the period from commencing a matter to the time of billing) and debtor days (i.e. the time to collect on billed matters). It already ranks well-ahead of its market peers in the top-100 UK law firms (by revenue) but the Directors believe there is still room for improvement.

Directors

Balbinder ("Bal") Singh Johal, aged 49, (Non-Executive Chairman)

Bal is the Managing Partner of international private equity firm MML Capital Partners LLP, operating in the UK, USA, France and Ireland. Bal is based in the UK and sits on the MML Investment Committee and Management Committee. Bal has a track record of successful investments across several sectors, including The Regard Partnership, Optionis, Vanguard, Instant, Arena, CSI Group amongst several others. He has been a director on the board of all these companies and previously Bal was also an

Investment Director at 3i plc. He started his career as a Management Consultant at Accenture, later working as a Financial Analyst at HSBC.

David Andrew Beech, aged 52 (Chief Executive Officer)

David qualified as a solicitor in 1990 and was appointed Managing Partner of regional law firm Heatons in 1996, growing the firm organically from c.£500k turnover to c.£6.2m by 2004. He advised Icelandic retail investor Baugur on several large UK transactions including the acquisitions of Goldsmiths and Oasis for £110m and £152m respectively. David then jointly founded private equity firms Arev and Verve Capital, leading several investments and representing the funds on the board of five companies. He returned to the legal profession in 2009 to head up the London office of Irwin Mitchell's Business Services Group before joining Knights as CEO in 2011, with the vision to transform the business into a leading regional professional services business. David acquired and remodelled the business in 2012, terminating the partnership and fully corporatising the business, whilst securing external funding to transform it into a growth platform.

Kate Louise Lewis, aged 45 *(Finance Director)*
Kate qualified as a Chartered Accountant and has been a member of the ICAEW since 1996 having trained as an accountant at Dean Statham. Kate spent over 10 years as an Audit Manager at Baker Tilly and KPMG and joined Knights in 2012 as Finance Director, overseeing the Group's corporatisation and subsequent refinancings with both Allied Irish Bank and Permira.

Stephen ("Steve") Dolton, aged 56 *(Senior Independent Non-Executive Director)*
Steve qualified as a Chartered Accountant and has been a member of the ICAEW since 1989 having qualified with Grant Thornton. He has spent over 20 years in senior financial roles including CFO of NAHL plc, NSL Services Group, Azzurri Communications, Safety Kleen Europe, Walker Dickson Group and Peek plc (including a two year period in Asia as Regional Controller). He is also currently Chairman of the Go Inspire Group and sits on the board of The Oxford Football Partnership. He was previously a non-Executive Director of Oxford United Football Club until its sale in February 2018.

Richard King, aged 53 *(Independent Non-Executive Director)*
Richard is European Commercial IT Director at Procter & Gamble. He has extensive experience in transforming business operating models, ranging from digitising the customer journey and internal operations, to M&A and scale-up of new businesses. He was previously global retail services leader at Transora, a B2B cloud services dotcom start up. He started his career at Shell as a process engineer.

Reasons for admission and placing and use of proceeds

The Directors believe that Admission represents an important step in the Group's development. A public listing naturally enhances Knights' profile and the Directors believe it will also assist in the growth of the Group's business, providing a long term framework to support future organic growth and investment (be that of acquisitions of firms, teams or lateral hires). In addition, broadening the Group's shareholder base by trading on AIM is hoped to provide an alternate financing option to the Group to further assist its ongoing acquisition strategy.

The issue of New Ordinary Shares under the Placing will raise net proceeds for the Company of approximately £27.5 million (after the deduction of commissions and amounts in respect of estimated fees and expenses). The net proceeds will principally be used to repay the majority of the Group's existing debt facilities.

The Placing will also provide the Selling Shareholders with a full or partial realisation of their investment in the Company, which will provide additional liquidity, with a free float of approximately 48.2% of the issued share capital of the Company expected following Admission.

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The date of Admission may be influenced by factors such as market conditions. There is no guarantee that the Admission Document will be published or that the Placing and Admission will occur, and you should not base your financial decisions on the Company's intentions in relation to the Placing and Admission at this stage. Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all of the amount invested. The value of shares can decrease as well as increase. This announcement does not constitute a recommendation concerning the Placing. Persons considering an investment in such investments should consult an authorised person specialising in advising on such investments.

This announcement contains certain statements that are, or may be, forward looking statements with respect to the financial condition, results of operations, business achievements and/or investment strategy of the Company. Such forward looking statements are based on the Board's expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Company's financial performance. Though the Board believes these expectations to be reasonable at the date of this document they may prove to be erroneous. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements.

Certain figures in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly to the total figure given.