Knights

Full year results

For the year ended 30 April 2022

Strategy execution driving growth

July 2022

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A decade of Knights' scalable corporatised model

Premium quality from a competitive cost base

- Continued focus on markets outside London
- Scale and national reputation underpinning premium position
- Deeper talent pool post-pandemic and lower costs outside London
- Efficient, technology-enabled operating model

Underlying profit before tax

Mid-teens adjusted PBT margin

Sustainable growth

Professional advisors with a commercial mindset

- Local relationships, regional hubs, national strategy
- Fee earners focus on client service
- Commercial mindset and culture across the business
- Experienced, longstanding management team
- Industry leading working capital management

Working capital lockup days

Low employee churn

109% cash conversion

Highly cash generative

A scalable model

- Well positioned in a large, fragmented market
- Attractive platform for clients, professionals, acquisitions
- Clear track record of unlocking value from acquisitions
- Well invested operational backbone and offices

Fee earner:
Non-fee earner ratio

£3.3bn
addressable market

+72
clients NPS

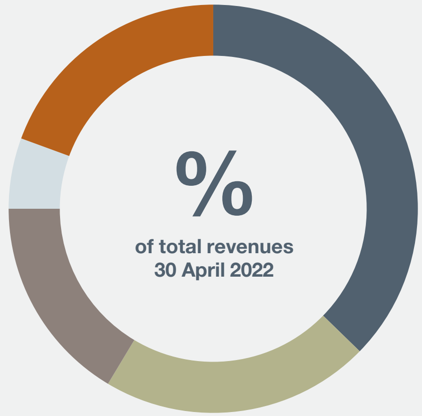
18
acquisitions since IPO

Robust platform for continued growth

A diversified, premium national provider

A full suite of services strengthened by sector specialisms and non-legal services (% of total revenues)

Real estate	Employment
37.3%	5.6%
Dispute Resolution	**Private Client**
21.3%	19.4%
Corporate	
16.4%	



Currently operating from **22 offices** with strong local market knowledge and networks.

- Birmingham
- Brighton
- Cheltenham
- Chester
- Crawley
- Exeter
- Leeds
- Leicester
- Lincoln
- Maidstone
- Manchester
- Newbury
- Nottingham
- Oxford
- Portsmouth
- Sheffield
- Southampton
- Stoke
- Teesside
- Weybridge
- Wilmslow
- York

A **broad client base** of quality national and local businesses:

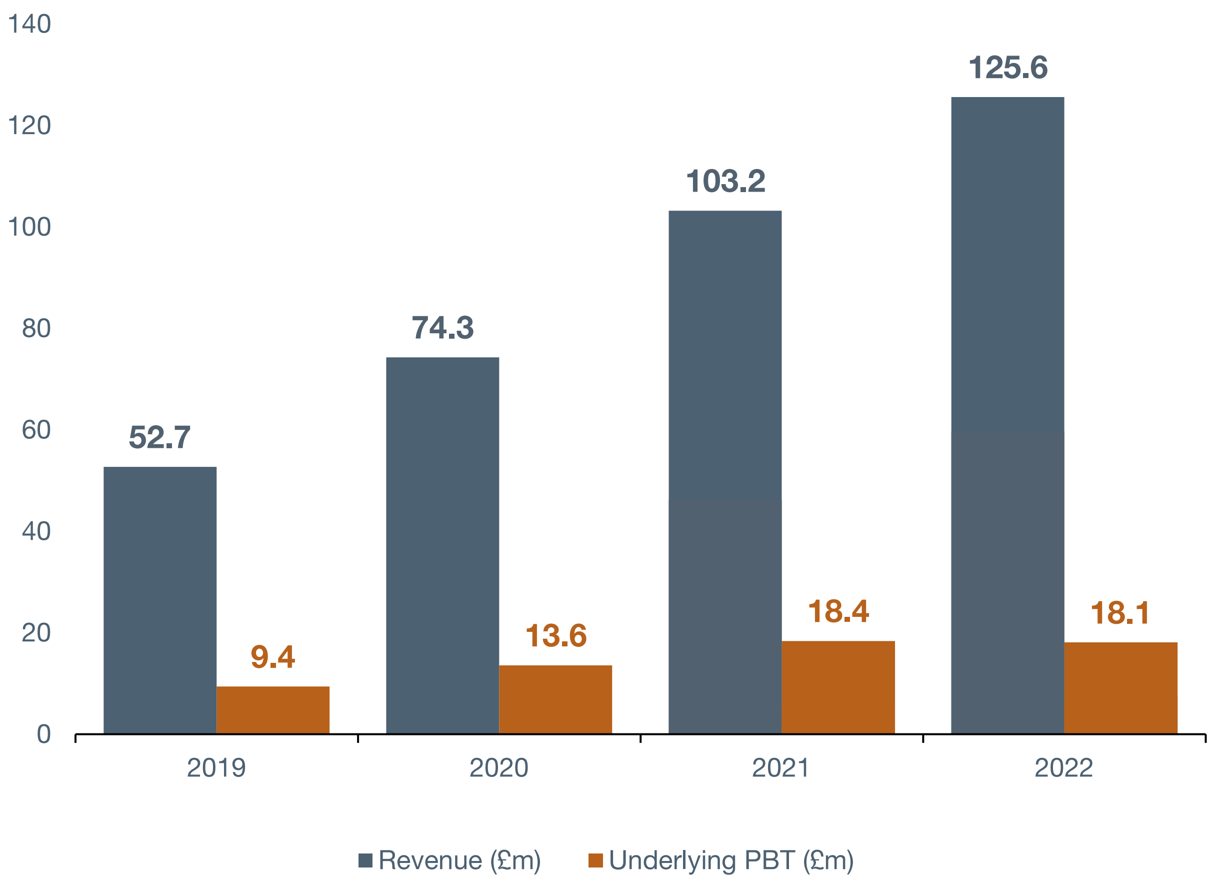
390+
clients generating **revenue over £50k**

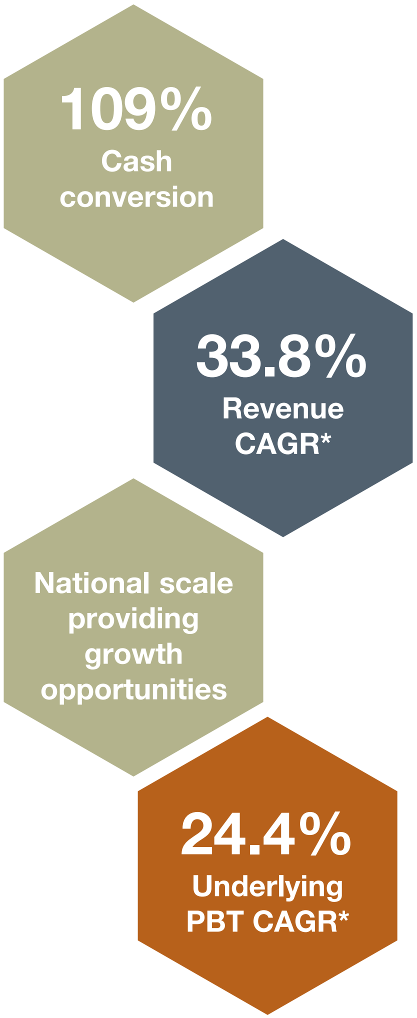
CALOR · Biffa · BREEDON · M&G INVESTMENTS · easyJet · Dunelm · P.D. Hook (HATCHERIES) LTD · b&m · well · BARRATT HOMES · Hanson HEIDELBERGCEMENT Group

Over **19k** Clients

c £3,000 Average matter size

Track record of profitable, cash generative growth





*3 year CAGR

Strategy continues to drive sustainable growth

1. Differentiated corporate structure increasingly relevant, understood and attractive
2. Strong cultural integration, driven by the growing Client Services Executive and ‘one team’ collaborative culture
3. Step change in credibility with scale and national reputation driving growth
4. Efficiently integrating talent and acquisitions without impacting working capital
5. Broadening service offering, providing opportunities to cross-sell

Full year overview – key financials

FY Revenue	Underlying PBT[1]	Underlying EPS[1]
+22% (FY organic growth of 2%) To **£125.6m** (FY 2021: £103.2m)	**-2%** To **£18.1m** (FY 2021: £18.4m)	**- 6%** At **17.2p** (FY 2021: 18.3p)

Net Debt	Underlying Cash Conversion[2]	Period end lockup[3]:
£28.9m after £18.0m of acquisition consideration and related costs (FY 2021: £21.1m)	**109%** (FY 2021: 96%[3])	**86 days** Debtor days **31** WIP days **55** (FY 2021: 89 days)

(1) A full reconciliation of the underlying figures is provided on slides 29-30
(2) FY21 includes the payment of VAT deferred at 30 April FY20.
(3) Lock up excludes the impact of acquisitions in the last quarter of the FY as well as clinical negligence, highways and ground rents WIP, which operate mainly on a conditional fee arrangement

Robust financial performance

Summary income statement (£'000)

	30 April 2022	30 April 2021
Revenue	**125,604**	**103,201**
Revenue Growth	*22%*	*39%*
Other operating income	1,270	1,310
Staff costs[1]	(76,863)	(62,707)
Other operating charges[2]	(22,077)	(16,173)
Impairment of trade receivables and contract assets	(498)	(223)
Underlying EBITDA	**27,436**	**25,408**
Depreciation and amortisation charges (excluding amortisation on acquired intangibles)	(10,778)	(7,730)
Underlying Operating profit	**16,658**	**17,678**
Underlying operating profit margin	*13.3%*	*17.1%*
Underlying Finance charges (excluding IFRS 16 leases)	(2,364)	(1,881)
Finance Income	22	-
Amortisation of acquired intangibles	3,815	2,622
Underlying profit before tax[3]	**18,131**	**18,419**
Underlying PBT margin	*14.4%*	*17.8%*

(1) Excludes one-off share-based payment charge
(2) Excludes non-recurring costs
(3) Underlying PBT excludes amortisation of acquired intangibles, one-off transaction costs relating to acquisitions made during the year, restructuring costs, and recognition of onerous leases. It also excludes share-based payments for one-off share awards along with contingent consideration payments required to be reflected through the Statement of Comprehensive Income as remuneration under IFRS accounting conventions

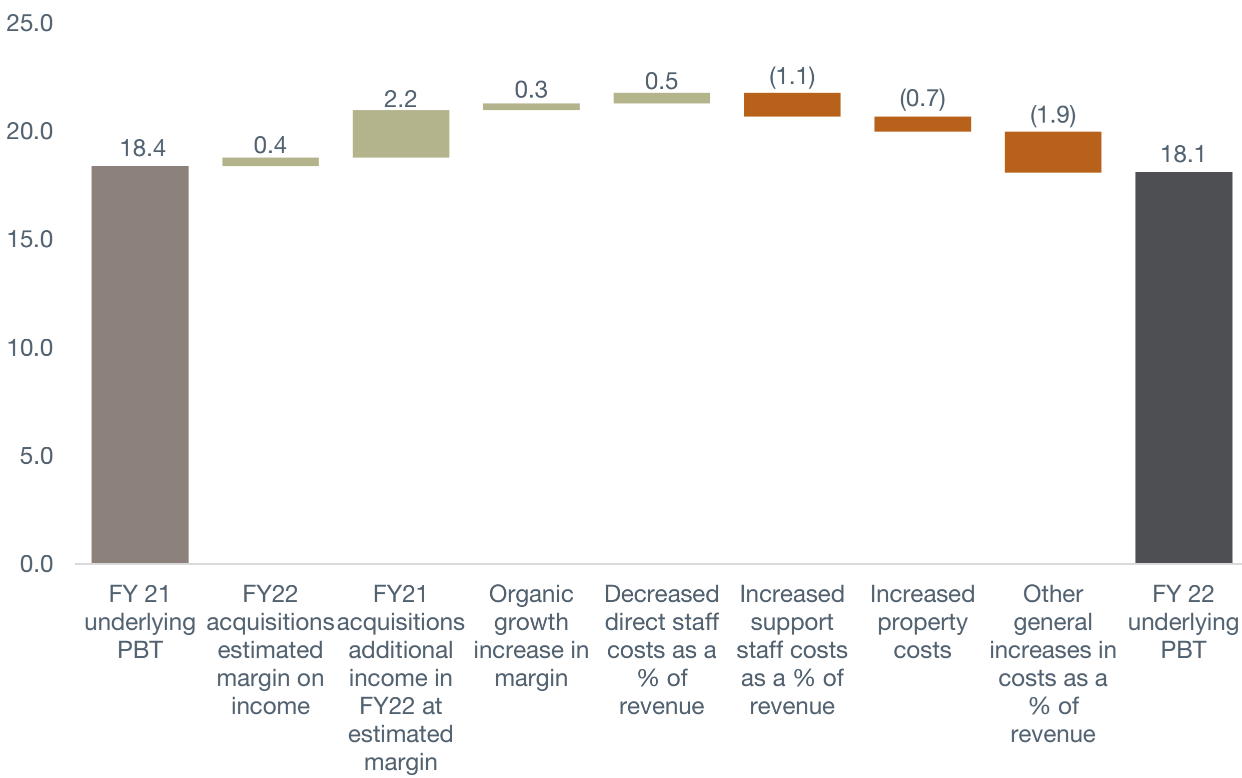
- Income from acquisitions £5.8m in the period
- Income from FY21 acquisitions of £16.9m, n increase of £14.8m from the prior year
- Organic growth of 2% for FY22, following planned exit from some volume service lines

- Gross margin increased to 49.3% (2021: 48.9%) reflecting improved efficiencies and recovery of time recorded
- Operational staff cost 10.5% (2021: 9.7%) (reflecting investment in management and support functions)
- Total staff cost 61.2% (2021: 60.8%)

- PBT margin reduced to 14.4% (2021: 17.8%)
- All other costs well controlled
- Finance charges maintained. Facility extended to £60m in October 2021 on comparable terms

Modest decline in underlying PBT

Underlying PBT Bridge (£m)



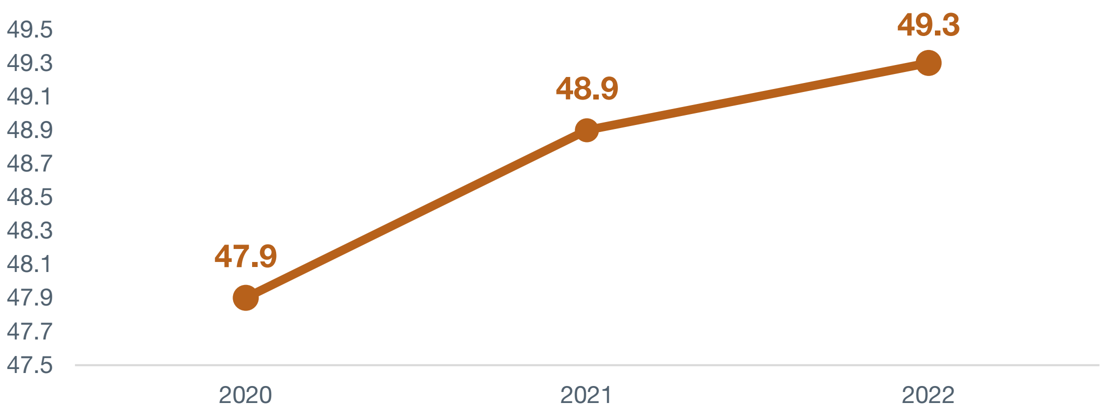
Full year impact of FY21 Investment in property, creating the platform for future organic growth

Investment is client service directors and support staff creating a sustainable base for the future growth

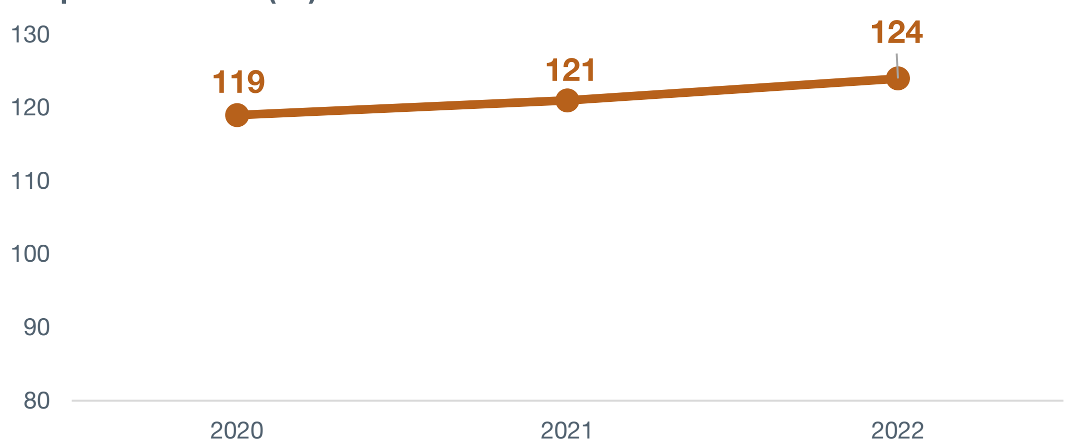
Strong performance of acquisitions completed in the last financial year

Key Performance Indicators

Gross profit margin (%)



Fees per fee earner (£k)



£124k
Fees per fee earner

22%
FY Revenue Growth
(2% organic in FY22)

109%
Cash
Conversion

Balance sheet & liquidity

Summary balance sheet

£'000	30 April 2022	30 April 2021
Goodwill & other intangibles	82,172	79,523
Right of use asset	40,663	40,406
Property, plant and equipment & other assets	10,240	9,538
Finance lease receivables	1,091	-
Non current assets	**134,166**	**129,467**
Trade & other receivables	65,901	60,051
Trade & other payables	(21,599)	(23,122)
Working capital	**44,302**	**36,929**
Net debt	(28,926)	(21,133)
Accrued consideration	-	(8,310)
Deferred consideration	(3,631)	(1,095)
Other net liabilities	(13,724)	(10,529)
Finance leases (IFRS 16)	(46,528)	(42,640)
Other liabilities	**(92,809)**	**(83,707)**
Net assets	**85,659**	**82,689**

Goodwill and intangible assets arising on acquisitions in FY22 of c£11m

Working capital increase reflects acquisitions in the year

Increase in right of use assets and finance lease liabilities reflects the new lease agreements signed in the period

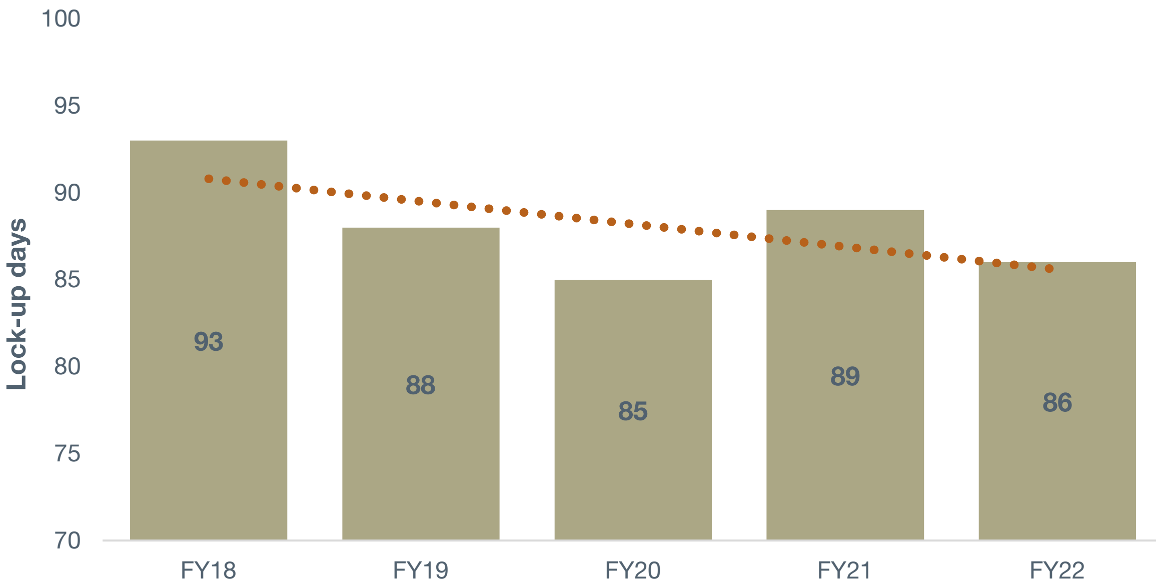
Net debt at £28.9m is 1.1x FY22 EBITDA

Deferred tax includes a one off increase of £1.7m to reflect the future increased corporation tax rates

£765k of assets classified as held for resale relating to HPL

Industry leading working capital

Group lockup days* continues to progress



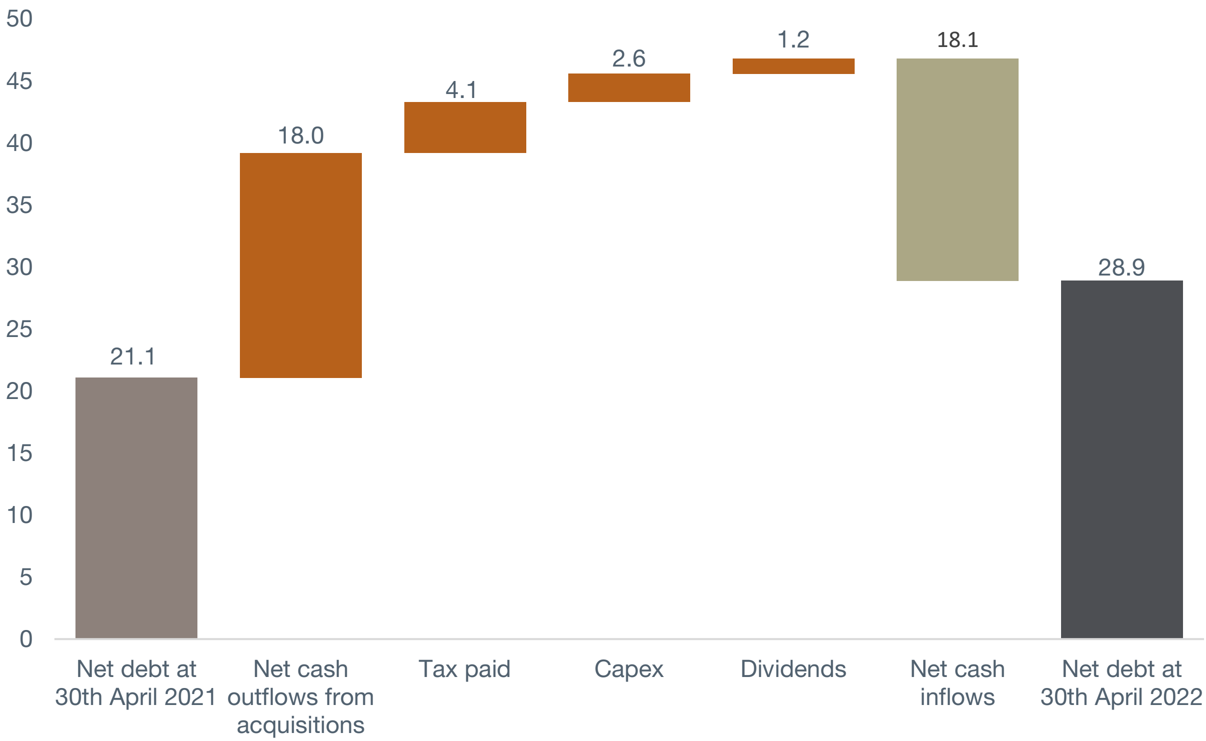
- 86 days lockup across the group* remains broadly in line with our target of 90 days and is significantly ahead of the industry average
- Acquisition lockup improved, reflecting culture of strong financial management, corporate model and robust systems on integration

Progress reducing lockup days of acquisitions

At acquisition		At 30 April 22
140 days	EGL ERT	97 days
165 days	asb law	136 days
103 days	Shulmans	89 days
122 days	FRASER BROWN	90 days
105 days	OTB EVELING	65 days
119 days	MUNDAYS.	79 days
197 days	Keebles	100 days
151 days	archers law.	75 days
169 days	LANGLEYS	157 days

* Excludes acquisitions in the last quarter of the FY and clinical negligence , insolvency, highways and Grounds rent as this works on a different lock up profile

Net debt bridge



* Net debt excludes lease liabilities.

Net debt at

£28.9m

increased from £21.1m at April 21

RCF available

£60m

£31.1m headroom in current facilities as at 30 April 2022

Capital allocation

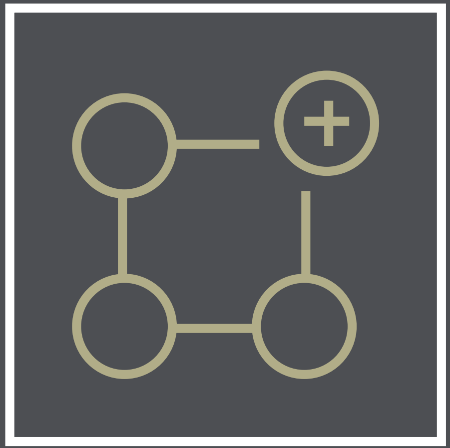
	Cash flow	Approach	
Strong cash generation	1 Existing business	Maintaining industry leading lockup, leveraging scale and enhancing acquisition cashflows	Highly cash generative with limited capex requirements
Capital allocation	2 Organic growth	Investment in quality people, collaborative work environments and technology	Invest to achieve good organic growth
	3 Acquisitive growth	Selective acquisitions	Potential to leverage the balance sheet to 1.5-2x EBITDA
	4 Dividend	A progressive dividend policy	Resumption of dividend; 20% of PAT

A clear strategy for growth

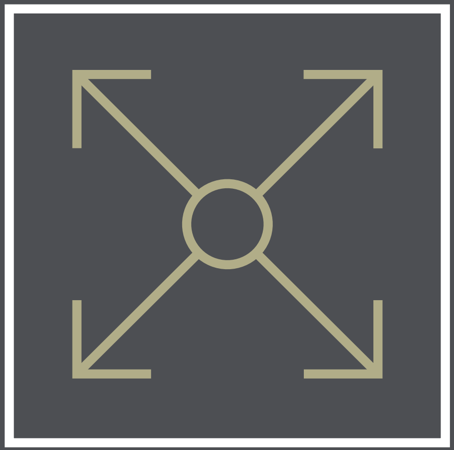
To cement our position as a leading legal and professional services business outside London:

Strategic pillars

Grow Organically



Strategic Acquisitions



Scale the Operation by Leveraging Investment

15

Leveraging our scale and national reputation

- Increased scale and national reputation driving credibility as a premium provider
- Greater awareness underpinning recruitment momentum
- Excellent pipeline of talented fee earners; majority from Top 40
- Low employee churn of 9%
- Sticky client base yielding cross selling opportunities
- New regional clients attracted by Knights' extensive professional services expertise
- Broadening our offering through additional services

Grow Organically

Strong credibility attracting customers, talent and targets

16

Attractive destination for high calibre talent

+24
eNPS
(FY21: +39)

9%
Churn, excl. acquisitions*
(FY21: 5%)

109
Promotions
(FY21: 86)

978
Actual FTE Fee Earners as at 30 April 2022
(30 April 2021: 865)

*Churn is calculated based on the number of qualified fee earners employed by the Group for more than one year, excluding expected churn from acquisitions

Unique and innovative approach to pricing

- Pricing consistently improving across all 22 offices
- Pricing reflects premium levels of service and value for clients
- Increasing adoption of pricing best practice, positively impacting revenue and cashflow
- Offsetting inflation and limited salary cost pressure
- Unique in providing guaranteed fixed fees, which resonates strongly with clients and is time limited to protect against our costs
- Competitive position versus Top 50 maintained, despite annual price increases
- Price training and consistent leadership resulting in strong client retention
- Pricing levels accelerated faster than independents through acquisition integration strategy

Grow Organically

Clear position as a premium provider in the regions

Exploring opportunities to broaden offering

- Launched specialist debt advisory offering during the period
- Supports medium-term plan to expand to 35 offices
- Exploring a number of other complementary services
- Strong regional opportunity
- Including: corporate finance, surveying, HR, outsourcing and IT
- Broadening our offering provides the opportunity to cross sell other services

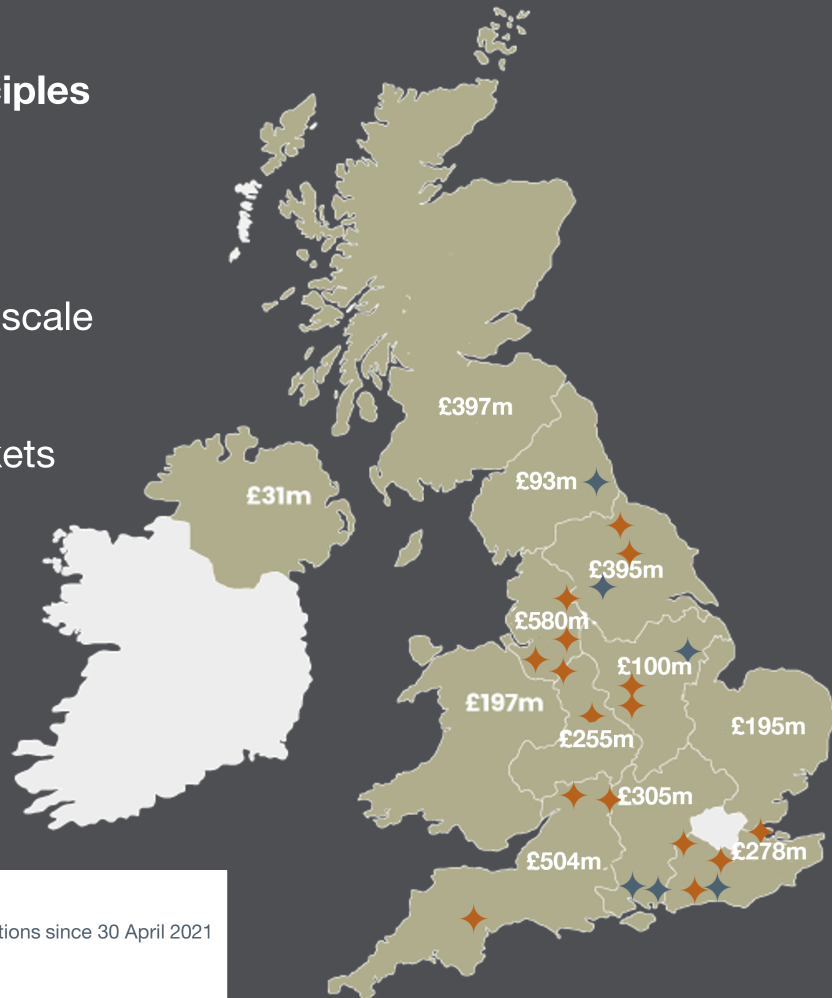
Grow Organically

A unique and diversifying client offering

Progressing acquisition strategy and pipeline

Our acquisition principles

- Strong cultural fit
- Bolt-ons to provide scale
- Entry into new markets
- New specialisms
- Focus on quality over quantity



Key

- Acquisitions since 30 April 2021
- Offices
- £ Total addressable market

Strategic Acquisitions

Four acquisitions since end of FY21

LANGLEYS SOLICITORS

Keebles

archers law.

CoffinMew

Recent acquisitions

- Acquisition strategy gained momentum during the year with 3 acquisitions, and 1 post-period end
- Integration of newly acquired businesses is progressing well, overseen by the growing Client Services Executive

Strategic Acquisitions

Keebles LLP

June 2021

- Entry into Sheffield
- Strong corporate and real estate offering
- Complementing existing presence in Nottingham and Leeds

Archers Law LLP

November 2021

- Based in Teesside in the North East
- One of the UK's largest markets for legal and professional services outside London
- Provides a platform for future organic growth in the region

Langley's Law

March 2022

- Provides a presence in Lincoln; established Knights as the leading law firm in York
- Expands the Group's operations in the East of England
- Disposal of two elements of the business not aligned with Group strategy

Coffin Mew

July 2022 (post-period end)

- Entry into new markets including Portsmouth, Southampton, Brighton and Newbury
- Adds c. 100 new professionals
- Significantly expands Group's presence in the South of England

Acquisitions and driving performance

Past acquisitions embedded into Knights							
Acquisitions	**Lock up**		**Revenue**			**People***	
	At acquisition	At 30 April	At acquisition	20% Churn	At 30 April	At acquisition	At 30 April
archers law.	*151 Days*	*75 Days*	*£4.0m*	*£3.2m*	*£2.2m for 6 months*	*38*	*32*

Strategic Acquisitions

Progress delivered by:

- Seamless integration of teams and data
- Referral of work from across the business
- Greater bandwidth and capabilities to take on larger projects
- Focusing on quality people and clients within the business

Track record of delivering financial returns from acquired businesses

Bandwidth for sustainable growth

Expanding number of Client Services Directors – our key executives

- This team, together with the Operational Directors, now reports directly to the CEO and CFO

Scale the Operation

Lisa Shacklock Manchester, Wilmslow, Teesside	**Mark Beech** Cheltenham, Oxford	**James Sheridan** Leeds, Sheffield, York	**Darren Walker** Weybridge, Crawley, Maidstone	**Sarah Perry** Birmingham	**Richard Wollacott** Residential property
Jessica Neyt Stoke, Chester	**James Christacos** Exeter	**Andrew Pilkington** Leicestar	**Victoria Mortimer** Integrar	**John Tansur** Lincoln, Nottingham	**Helen Niebuhr** Clinical negligence

Key responsibilities of Client Services Directors

- Culture carrier
- Senior mentor
- Financial management
- Organic growth
- Recruitment
- Business development
- Acquisition integration

ESG

- Knights' strategic ESG programme includes a framework of KPIs and goals which are continuously kept under review
- Having surpassed targets set in 2019, new science-based targets being developed for 2022 and beyond
- These help Knights deliver for our people and communities and are a vital part, not only of our ongoing efforts to modernise our business, but also how we integrate acquisitions
- During the year we expanded the scope of our ESG governance to include Climate Change, adopting TCFD guidance

ESG PILLARS

Managing our business for the long term

66% of employees are female

BOARD COMPOSITION
Gender diversity **60%**
Ethnic diversity **20%**

Caring for our people and communities

Employee NPS **+24**
(FY21: +39)

Client NPS **+72**
(FY21: +75)

Staff churn : **9%**

Looking after the environment

Consumption:

Energy reduction: **9.9%**
Paper usage: **80% lower** than
Hazardous Waste **0kg**

Recycled / energy recovery: **100%**

Summary & current trading

1

Delivered profitable, cash generative growth despite short term challenges in the last quarter

2

Acquisition strategy progressing well with significant opportunities for further high-quality acquisitions; well positioned for further growth

3

Strong recruitment momentum and low employee churn across all levels

4

Integration of recent acquisitions and new joiners progressing well; no impact on industry leading working capital days despite increased headcount

5

Positive trading momentum since year end; core business remains resilient and defensive

6

Remain confident in ability to successfully execute growth plans, despite ongoing uncertainty around economic conditions

Knights

Appendix

Deferred and Contingent consideration

(excludes the acquisition of Coffin Mew post year end)

	Deferred consideration (£'000)	Contingent and Accrued consideration (£'000)	Total (£'000)
Accrued 30 April 2022	3,631	1,838	5,469
Payable			
FY23	1,210	3,865	5,075
FY24	1,210	2,801	4,011
FY25	1,211	1,372	2,583
P&L charge – non underlying contingent consideration			
FY23	-	2,767	2,767
FY24	-	619	619
FY25	-	286	286

Reconciliation of underlying to statutory measures – PBT

Underlying profit before tax (£,000)

	30 April 2022	30 April 2021
Profit before tax	1,056	5,509
Amortisation on acquired intangibles	3,815	2,622
Non-underlying operating costs	13,260	10,288
Adjusted profit before tax	18,131	18,419

Reconciliation of underlying to statutory measures – PAT and EPS

Underlying profit after tax (£,000) / Underlying earnings per share (pence)

	30 April 2022	30 April 2021
Profit / (Loss) after tax	(2,531)	3,402
Amortisation on acquisition related intangibles	3,815	2,622
Non-underlying operating costs	13,260	10,288
Effect of change in tax rate	1,747	-
Tax in respect of the above	(1,869)	(1,272)
Underlying profit after tax	**14,422**	**15,040**
Underlying earnings per share	**Pence**	**Pence**
Basic underlying earnings per share	17.23	18.30
Diluted underlying earnings per share	17.14	18.07

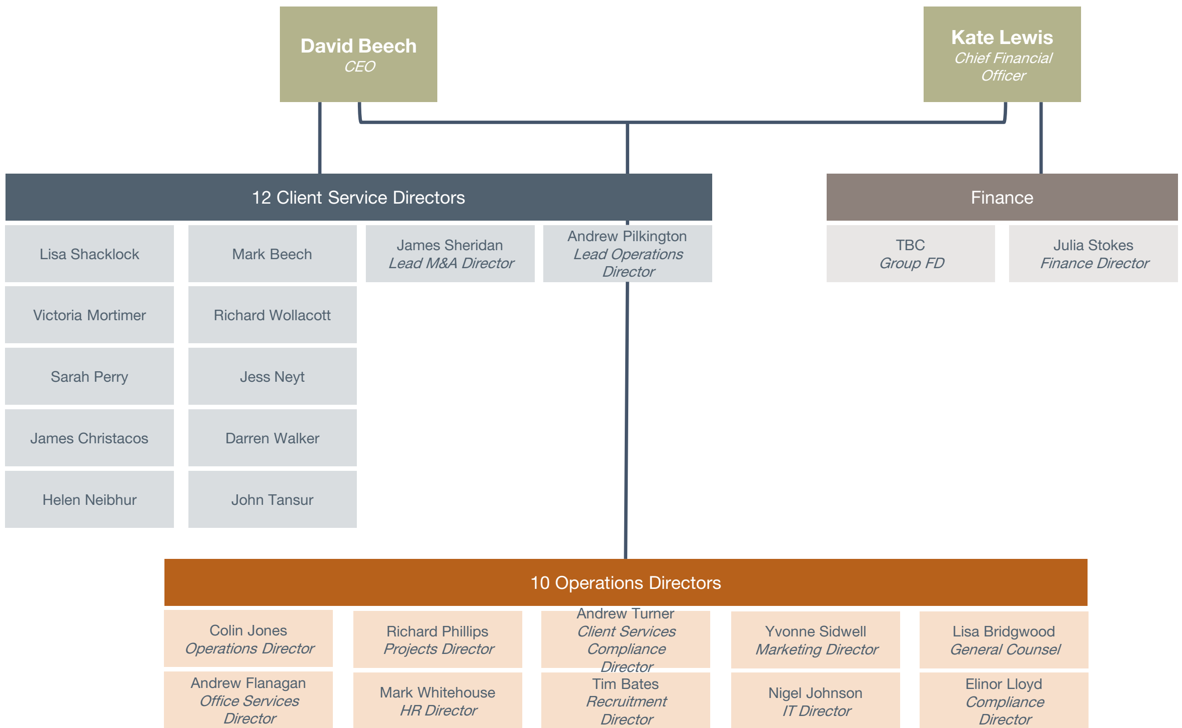
Organic growth calculation

£'000	30 April 2022	30 April 21
Income pre FY 22 acquisitions	102,829	101,058
FY 21 acquisition income	16,944	2,143
FY 22 acquisition income	5,831	-
Total reported income	125,604	103,201
Organic movement		
£'000	1,771	
%	*1.8%*	

Organic growth excludes income growth from acquisitions in the year of their acquisition, and for the first full financial year following acquisition, based on the fees generated by the individuals joining the Group from the acquired entity

Recruitment of individuals into the acquired offices post acquisition is treated as part of the organic growth of the business

Leadership team



Knights

Thank you

Knights

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