Knights

Full year results

For the year ended 30 April 2024

A robust performance, reflecting resilience, scale and financial discipline

July 2024

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Full year overview

A robust performance, reflecting resilience, scale and financial discipline

- Return to organic growth
- Significant profitability and cash generation
- Encouraging improvements in market trends
- Sustained momentum in recruitment, retention and client wins
- Resilient and diversified service offering
- Recent acquisitions performing ahead of expectations

A fully integrated national business and scalable platform for future growth

Premium legal services, delivered locally, across the UK

Large and fragmented addressable market

c.£3.8bn
Addressable regional legal market

c.200
Firms operating regionally with revenues of £2m - £75m

Opportunity to consolidate and professionalise a fragmented market

+

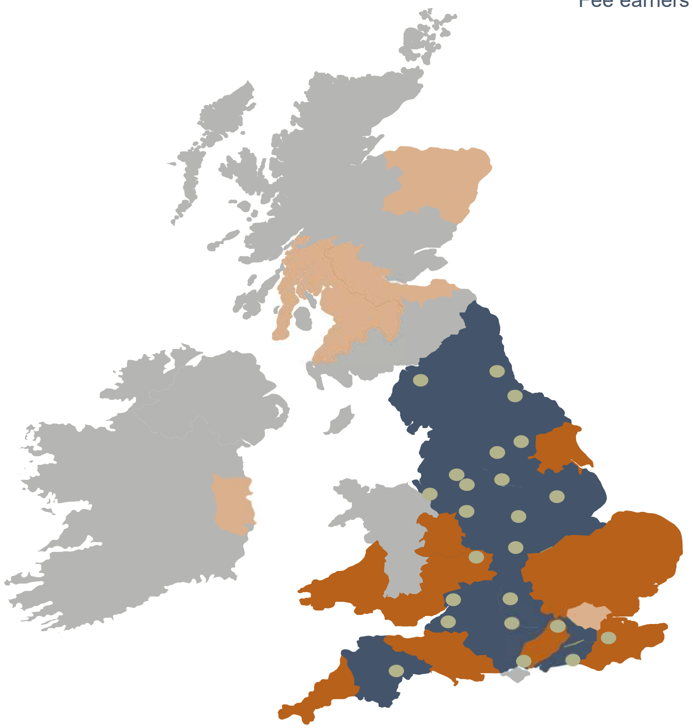
Active discussions with potential targets

Established presence across key UK regions

23
locations

£150m
FY24 revenue

1,037
Average number of Fee earners[1]



Established presence
Near / medium term opportunity
Long term potential

Low revenue concentration across 23 locations

Track record of acquiring businesses

Stoke	2012	Exeter	2020
Cheltenham	2012	Weybridge	2021
Chester	2013	Sheffield	2021
Oxford	2016	Teesside	2021
Wilmslow	2018	Lincoln	2022
Manchester	2018	Brighton	2022
Leicester	2018	Portsmouth	2022
Birmingham	2019	Newbury	2022
York	2019	Bristol	2023
Nottingham	2020	Carlisle	2023
Kings Hill	2020	Newcastle	2023
Leeds	2020		

(1) See Glossary

A robust, scalable platform with a diversified portfolio of services…

Broad and deep specialisms serving both corporate and individual clients

Core legal services offering

29% **Real estate**

Expert, multi-sector advice in a broad range of commercial matters including asset management, plot sales, property litigation, construction, development, and town planning

16% **Dispute resolution**

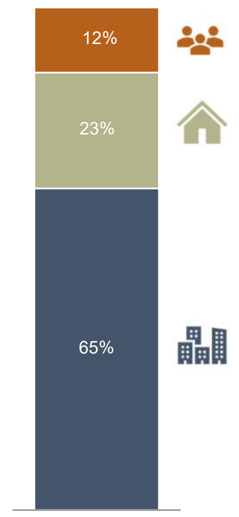
Expert advice for a broad range of commercial disputes including breach of contract, professional negligence, defamation and reputation management and Intellectual property

14% **Corporate & Commercial**

Full suite of corporate & commercial services provided nationwide to international, PLC and SME clients, including M&A, restructuring, corporate governance, public procurement and contracts

6% **Employment**

Range of commercial employment advice and training incl. disputes, restructuring / redundancy, HR support, investigations and trade union issues



FY24 revenue split

16% **Private wealth**

Full range of services advising private individuals and families including trusts, tax, wills and succession planning and probate

7% **Residential Property**

Premium, partner-led conveyancing services for buyers and sellers incl. new build, freehold and leasehold, with additional specialist construction, planning and agricultural teams

Strengthened with other specialist services

3% **Integrar**

A market leader in the provision of remortgage services for lending institutions / intermediaries such as banks, building societies, mortgage brokers, estate agents and financial advisors

9% **CL Medilaw**

Specialist medical negligence and serious injury solicitors advising individuals and families

High growth, non-cyclical service offering

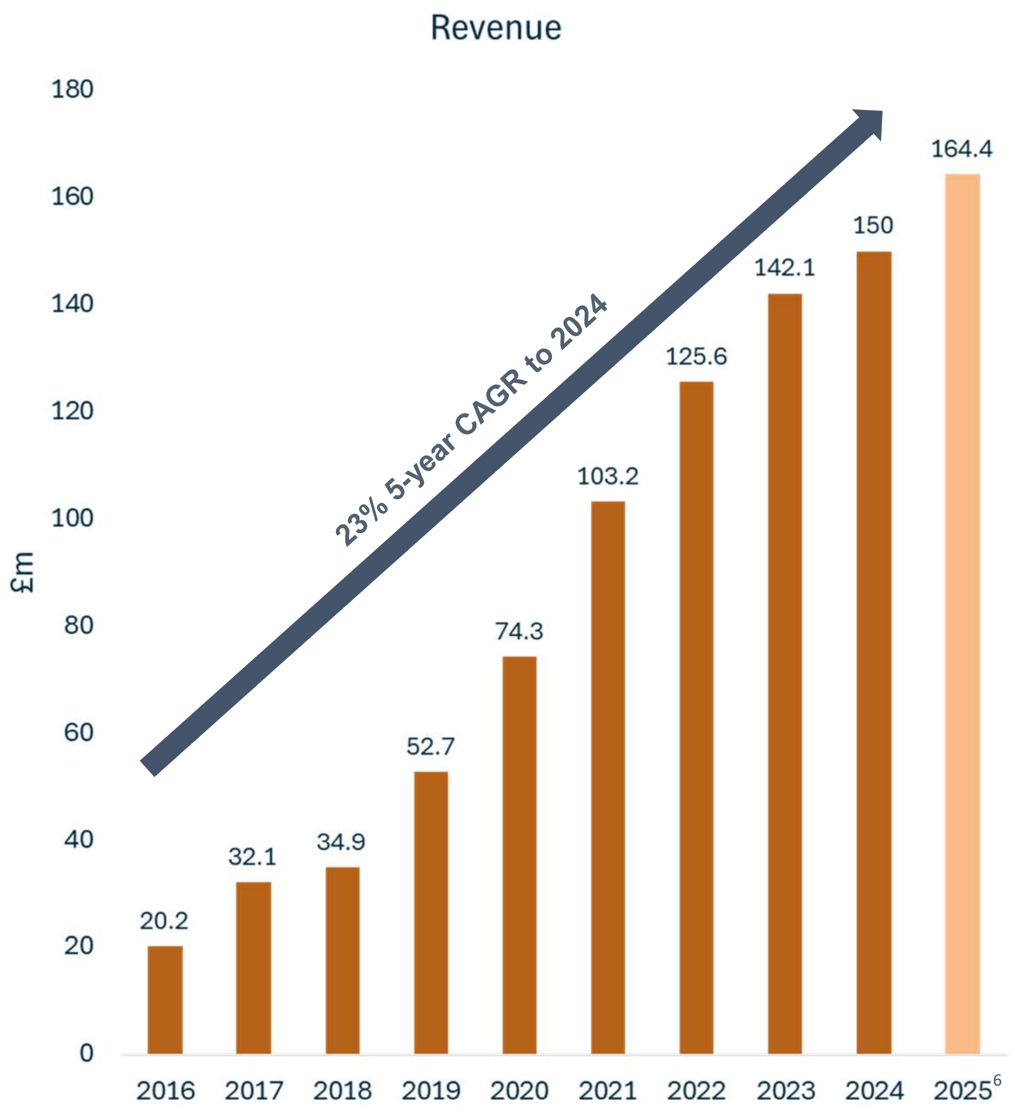
Corporate service | Personal service | Other

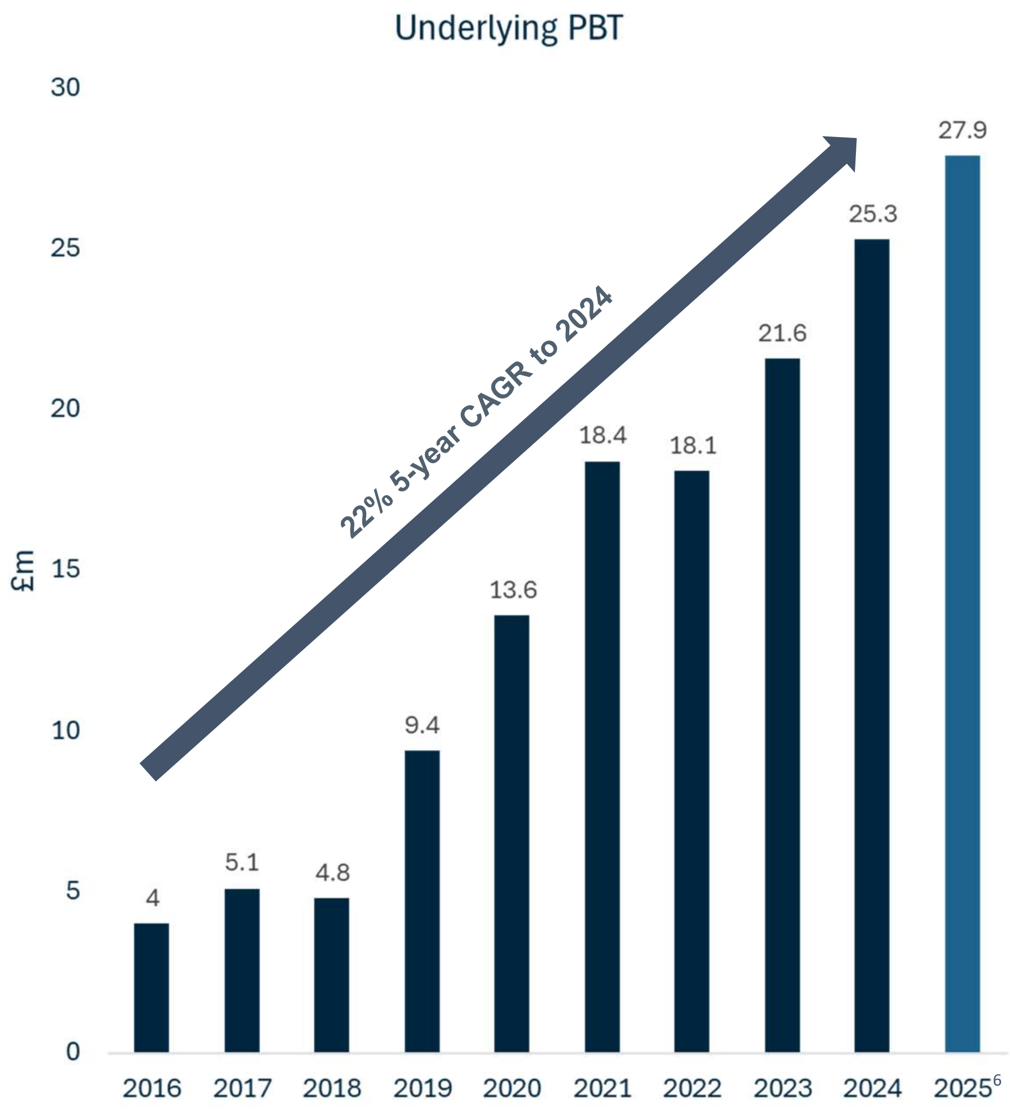
A unique collaborative culture to drive future growth

National scale and premium brand reinforces an attractive proposition for fee earners, clients and targets

(1) to (5), (13) See Glossary

Demonstrated by our track record of profitable, cash generative growth





(6) See Glossary

Full year overview [7]

Key financials

FY Revenue	Underlying PBT[8]	Underlying EPS[9]
+6% (organic growth of 1.9%) To **£150.0m** (FY 2023: £142.1m)	**+17.3%** To **£25.3m** (FY 2023: £21.6m)	**+8%** At **21.81p** (FY 2023: 20.20p)

Net Debt[10]	Underlying Cash Conversion[5]	Period End Lockup[11]
£35.2m after c.£11.9m of acquisition consideration and acquired debt (FY 2023: £29.2m)	**131%** (FY 2023: 117%)	**78 days** Debtor days **28** WIP days **50** (FY 2023: 87 days)

(5), (7) to (11) See Glossary

Robust financial performance

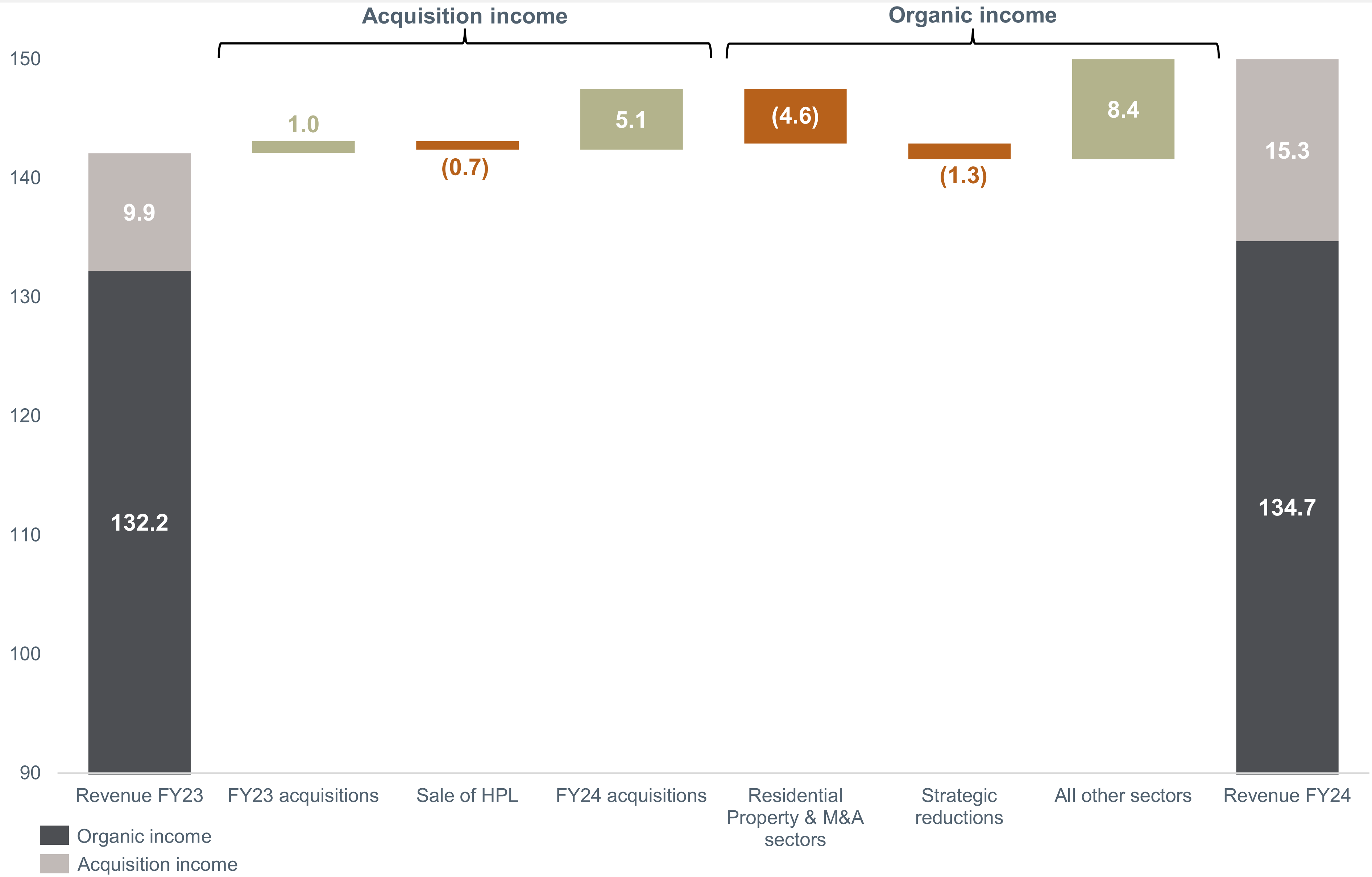
Summary income statement (£'000)

	30 April 2024	30 April 2023
Revenue	**149,957**	**142,080**
Revenue Growth	6%	13%
Other operating income	10,439	6,718
Staff Costs [12]	(93,007)	(88,412)
Other operating charges [12]	(28,218)	(26,539)
Impairment of trade receivables and contract assets	(489)	(468)
Underlying EBITDA [13]	**38,682**	**33,379**
Underlying EBITDA %	**25.8%**	**23.5%**
Depreciation charges under IFRS 16 [12]	(5,607)	(5,706)
Interest charges under IFRS 16 [12]	(1,471)	(1,474)
EBITDA post IFRS 16 charges [14]	**31,604**	**26,199**
Depreciation and amortisation charges [12]	(2,903)	(2,469)
Finance costs [12]	(3,402)	(2,135)
Finance income [12]	23	-
Underlying profit before tax[8]	**25,322**	**21,595**
Underlying profit before tax margin	**16.9%**	**15.2%**

- £7.9m revenue growth; £5.4m from the impact of FY23 and FY24 acquisitions and disposals, with the balance being organic
- Gross margin increased to 48.8% (FY23: 48.5%) whilst investing in partner recruitment, reflecting strong control in the cost base, and improvements in pricing and recovery
- Operational staff cost at 10.8% of revenue (FY23: 10.7%)
- Total staff cost at 62.0% of revenue (FY23: 62.2%)
- Increase in other income relates to an increase in interest earned due to normalisation of interest rates
- Other costs in line with expectation, albeit increasing to 18.8% of revenue, from 18.7% in FY23 driven by increases in BD and travel costs due to focus on organic growth
- H2 has seen continued focus on the cost base and obtaining full synergy savings from past acquisitions resulting in improving margins
- Finance costs increased due rising interest rates

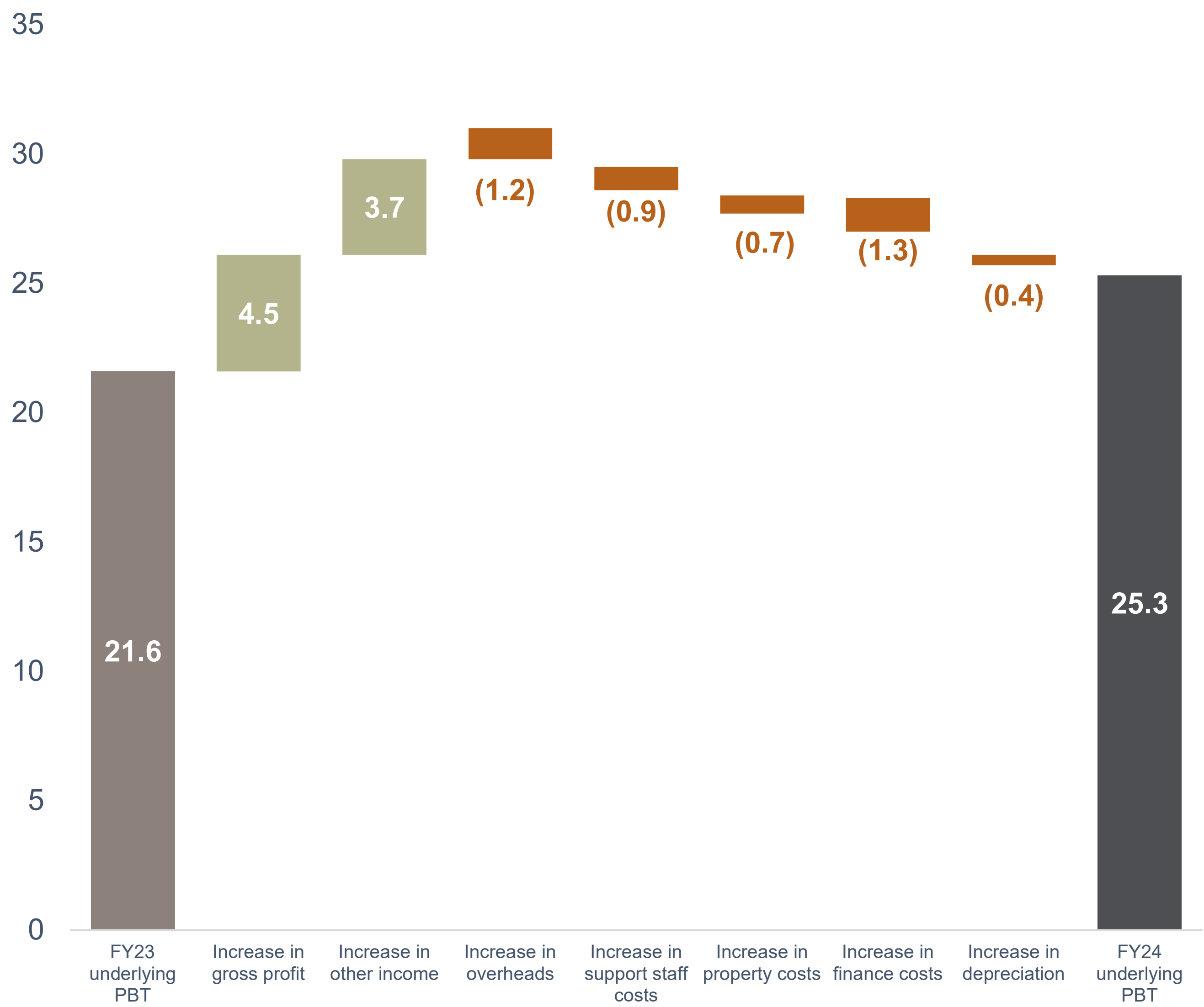
(8) (12) to (14) See Glossary

Revenue bridge (£'m)



Significant increase in underlying PBT [8]

Underlying PBT Bridge (£'m)



A year of consolidation of the cost base whilst continuing to invest for growth

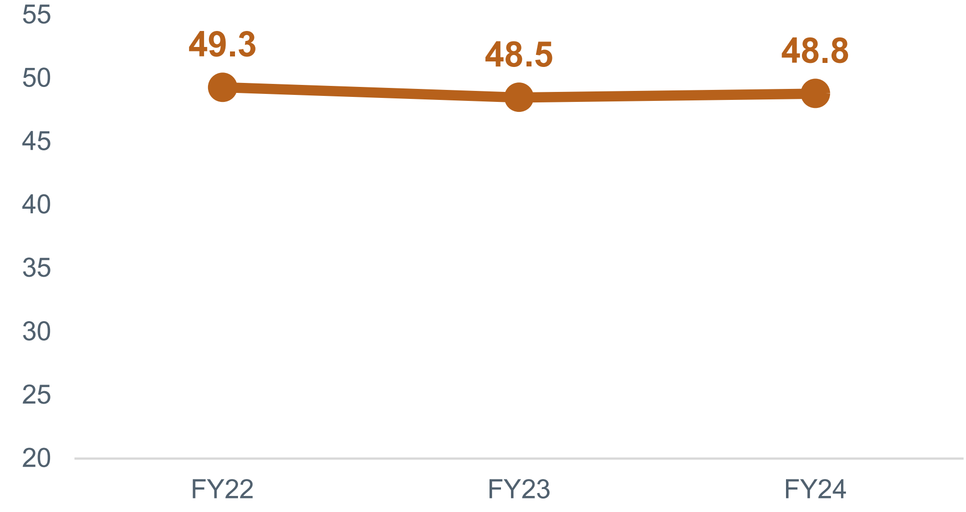
Prior year and current year acquisitions performing well

Increase in other income driven by interest rates

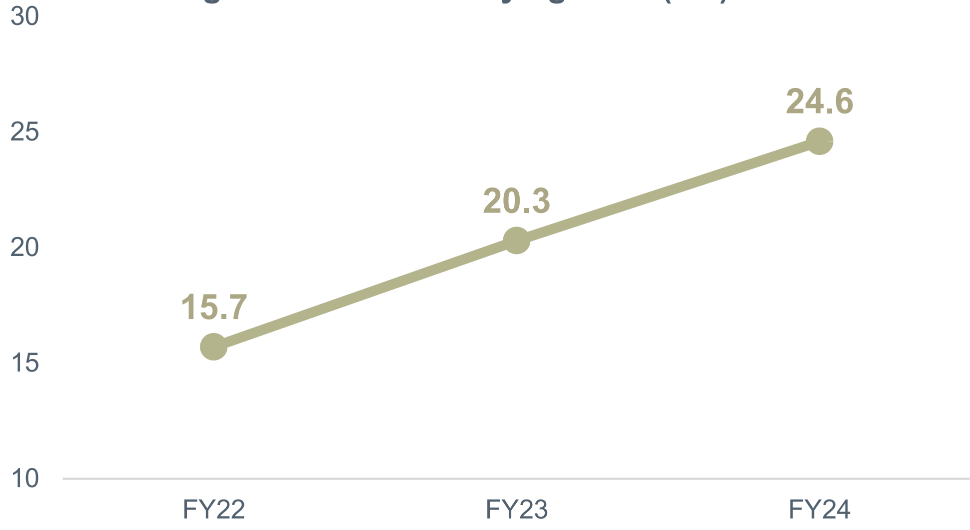
(8) See Glossary

Key Performance Indicators

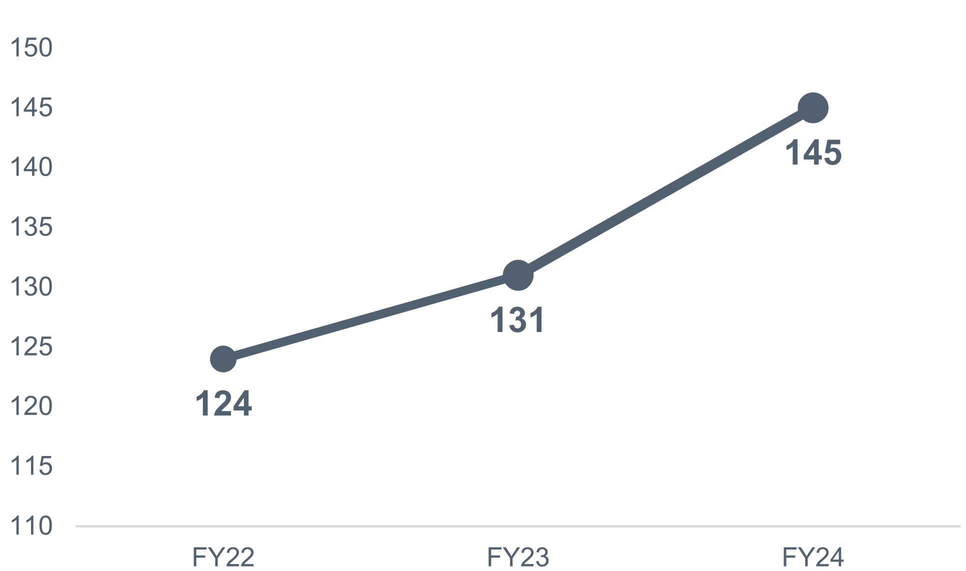
Gross profit margin (%)



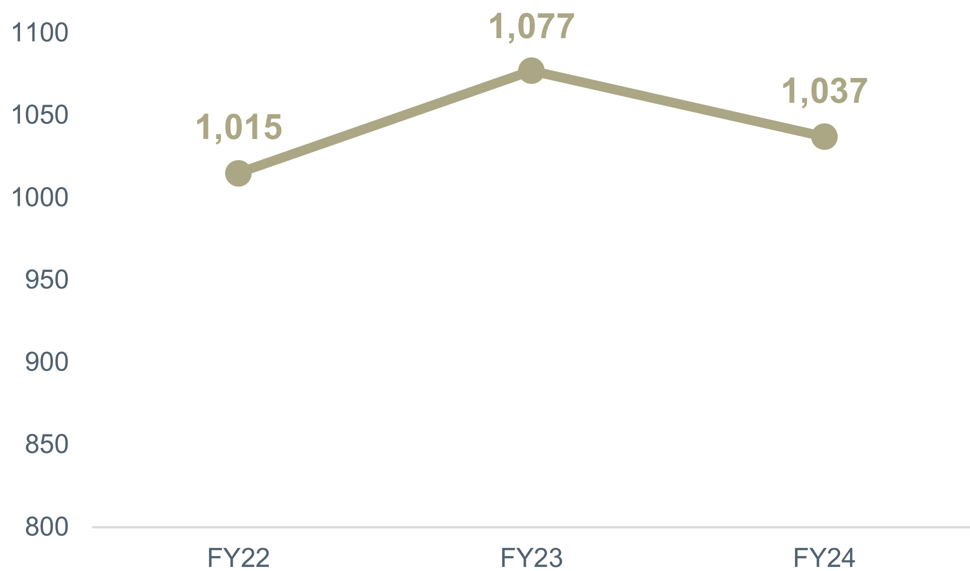
Cash generation - Underlying FCF[5] (£m)



Average Fees per FTE[1] fee earner (£k)



Average number of FTE[1] fee earner



 (1) (5) See Glossary

Summary cash flows

£'000	30 April 2024	30 April 2023
Underlying EBITDA [13]	38,682	33,379
Change in working capital	(3,549)	(5,196)
Cash outflow for IFRS 16 leases	(6,245)	(6,728)
Movement in underlying share based payment charge	1,121	1,248
Cash generated from underlying operations (pre tax)	**30,009**	**22,703**
Tax paid	(5,432)	(2,424)
Net cash generated from underlying operating activities [5]	**24,577**	**20,279**
Underlying profit after tax [15]	**18,724**	**17,291**
Cash Conversion % [5]	131%	117%

131%
Underlying Cash Conversion [5]

Enabling growth through investment in

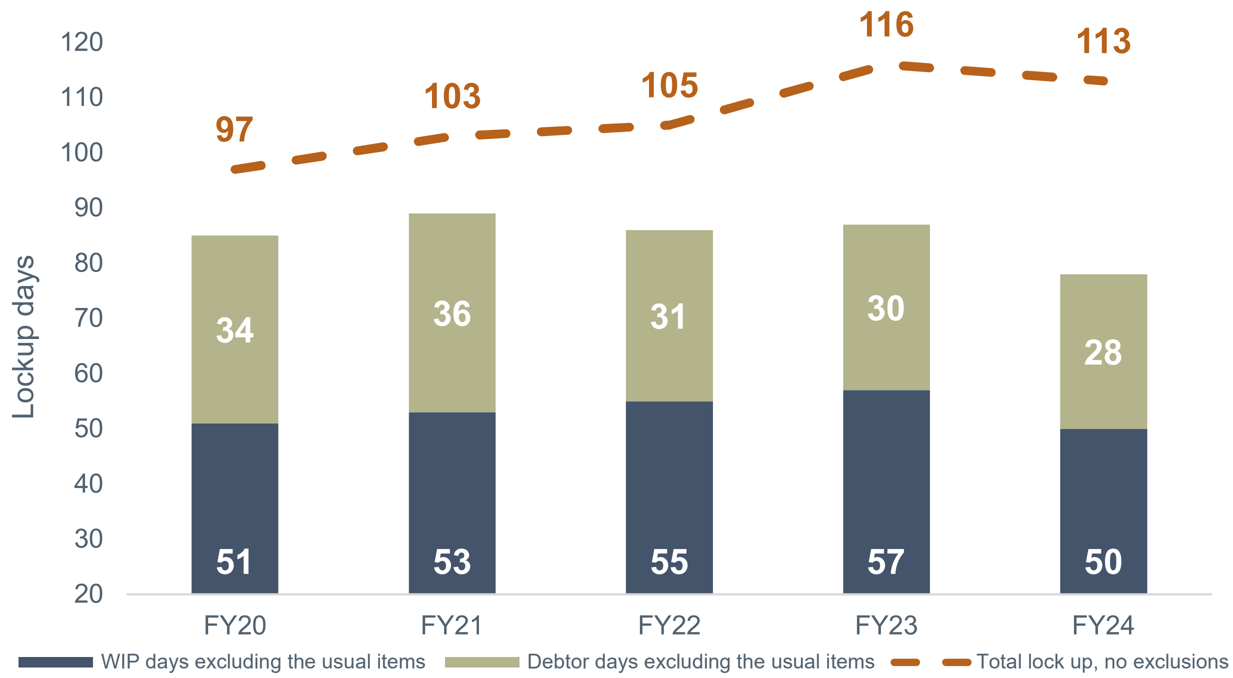
Property
Technology
Recruitment
Acquisitions

Increase in corporation tax paid due to higher profits, an increase in the corporation tax rate from 19% to 25% in FY24 and FY23 tax paid being reduced by an overpayment of tax in FY22.

(5), (13), (15) See Glossary

Industry leading debtor days

Our unique culture drives cash generation



- 78 days lock up[11] across the group WIP days 50 days and debtor days 28 days, remains well within our target of 90 days and is significantly ahead of the industry average
- Debtor days of just 28 days (FY23: 30) compared to 73 average for the top 100 firms (Source: PwC Law Firms' Survey 2023)
- Consistently transformed the lock up of acquisitions, reflecting culture of strong financial management, corporate model and robust systems on integration

Progress reducing lock up[11] days of acquisitions

	At acquisition		At 30 April 24
FY22	197 days	Keebles	76 days
FY22	151 days	archers law.	60 days
FY22	169 days	LANGLEYS SOLICITORS	87 days
FY23	215 days	CoffinMew	80 days
FY23	213 days	Meade King	93 days
FY24	129 days	baines wilson LLP	54 days
FY24	174 days	StJames' SQUARE LAW FIRM	62 days

(11) See Glossary

Balance sheet & liquidity

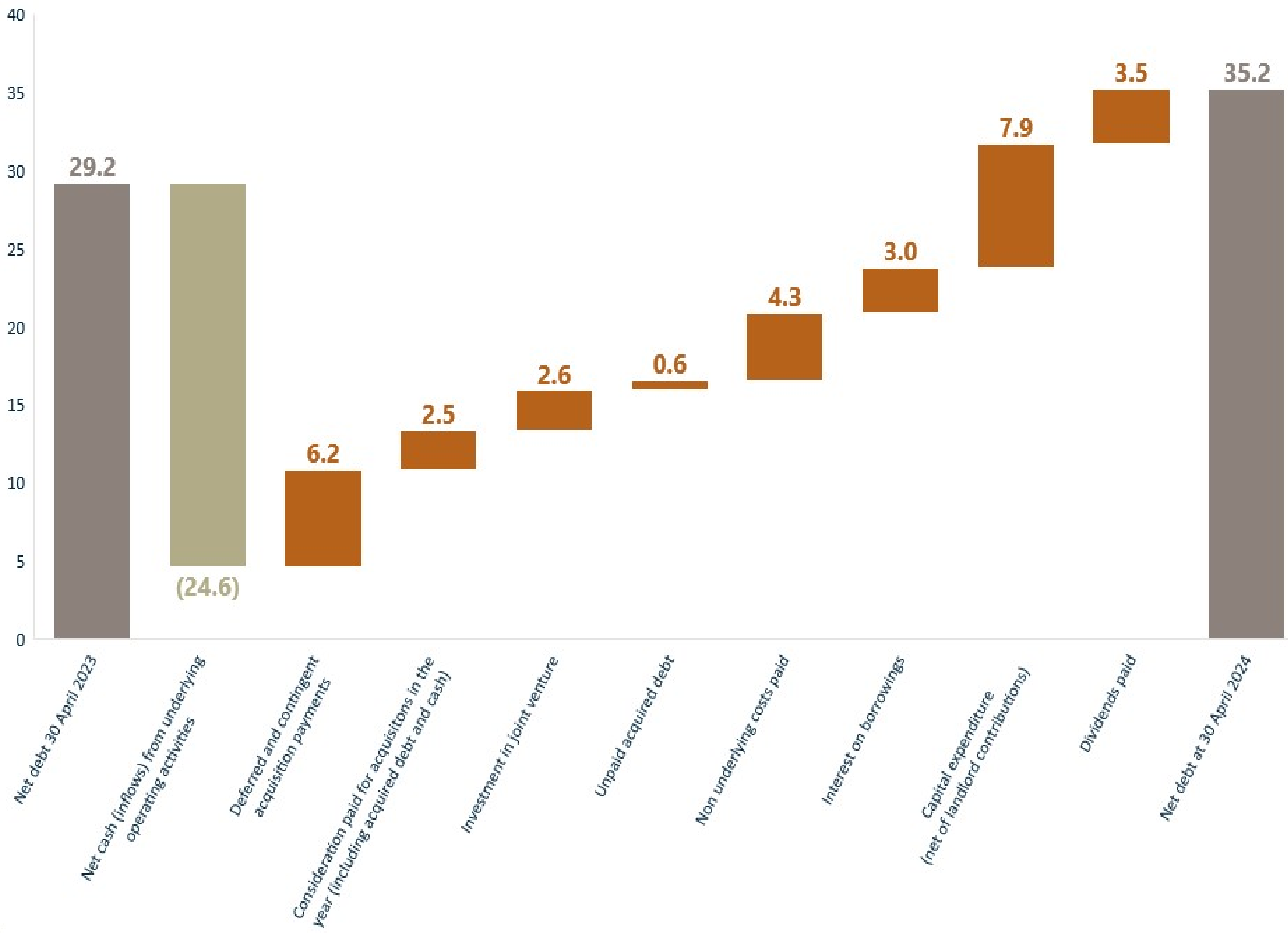
Summary balance sheet

£'000	30 April 2024	30 April 2023
Goodwill and other intangibles	86,900	88,021
Right of use asset	34,034	38,200
Investment in joint venture	50	-
Loan to joint venture	2,523	-
Tangible fixed assets	14,896	10,004
Working capital	53,125	48,404
Other provisions and deferred tax	(14,590)	(14,823)
Lease net of lease receivables	(38,573)	(42,930)
	138,365	**126,876**
Cash and cash equivalents	5,453	4,045
Borrowings	(40,617)	(33,265)
Net Debt [10]	**(35,164)**	**(29,220)**
Deferred consideration	(2,941)	(4,849)
Net Assets	**100,260**	**92,807**

- Decrease in Right of Use assets to £34.0m (FY23: £38.2m) following assignment and surrender of 4 leases in the period
- Increase in tangible fixed assets following continued investment in our IT systems, technology and refurbishments of certain offices to ensure we offer quality grade A office spaces where possible across the business
- Increase in trade and other receivables reflecting increase in clinical negligence work in progress due to strong growth in this area and ongoing court delays
- Net debt [10] increased to £35.2m (FY23: £29.2m) despite a cash outlay of £11.3m in acquisitions and the joint venture with Convex related costs in the period. A further £0.6m of the increase in net debt relates to debt acquired as part of an acquisition.

(10) See Glossary

Net debt[10] bridge (£'m)



Net debt at
£35.2m
£29.2m at 30 April 23

RCF available
£70m
£34.8m headroom in current facilities as at 30 April 2024

Covenant leverage
1.1x
at 30 April 2024
(1.2x at 30 April 23)

Final dividend of
2.79p
total dividend of
4.40p

(10) See Glossary

Aiming to double the business in the medium term

+

Underpinned by significant cash generation

Large and fragmented addressable market

Highly attractive regional market, with vast opportunity for further consolidation

Knights competitive advantage

1 **Unrivalled breadth of specialisms locally**

- Underserved locations with strong underlying demand for a broad suite of professional services
- Retaining deep local relationships with proximity to the client

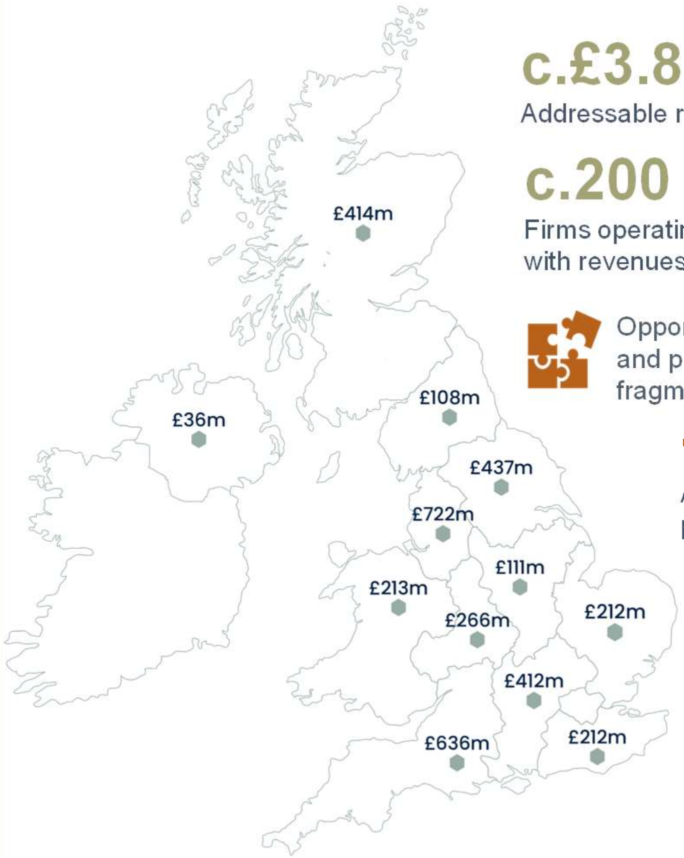
2 **Premium quality with deep talent pool available at a lower cost**

- Premium service built on speed, access and communication
- Diverse, specialised capabilities with a regional cost base
- Brand strength underpins ability to attract leading talent

3 **Benefits of scale and a nationally recognised brand**

- National scale attracts high quality work, enhancing employee experience and retention
- Efficient central functions enable significant and rapid cost out from acquired partnerships with enhanced service quality and breadth

Large and fragmented addressable market



c.£3.8bn
Addressable regional legal market

c.200
Firms operating regionally
with revenues of £2m - £75m

Opportunity to consolidate and professionalise a fragmented market

+

Active discussions with potential targets

Tailwinds for organic growth

Positioned for strong organic growth

Annual price increases

Recovery in residential property

New client wins and gaining share of wallet

Land and expand opportunities

Strong partner recruitment

Corporate activity including M&A recovery

Delivering organic growth

Awareness of increased scale and momentum is driving recruitment and retention

A compelling platform for legal professionals

Quality work, opportunities and choice	✓ Fee earners focus on clients and quality work, leaving management to focus on the business ✓ Opportunity to pioneer change in legal and professional service delivery ✓ Pursue long-term career and life ambitions
No financial risk	✓ Partners are not exposed to the financial ownership risks of partnership structures ✓ Healthy fast-growing business provides excellent job security ✓ Current economic backdrop creating recruitment opportunities for Knights
No politics or distractions, just a supportive environment to thrive	✓ No fee targets removes stress and fosters a collegiate, client focused culture ✓ Meritocracy based career path to 'partner' without cumbersome structure ✓ An agile, ambitious culture that encourages people to play to their strengths
Attractive package and sustainable working environment	✓ Remuneration at or above market levels ✓ Focus on modern ways of working, balance and inclusion

40 senior fee earners joined the business during FY24

An 48% increase on FY 2023

"After more than four years, I can honestly say that I have never once regretted my decision. Many firms talk about having a good culture, but we genuinely have a great, immensely collegiate, and supportive culture: people are at the heart of everything we do."

Jeremy Steele, Partner, Property Litigation

"The One Team approach is authentic and not just a sound bite. Being able to sit across from clients, new colleagues and wider contacts and authentically explain how the lack of targets, non-siloed and collaborative nature of working across the firm combined with vast strength in depth makes us different"

Leon Deakin, Partner, Employment

Delivering acquisitive growth

Significant pipeline of complementary businesses

Compelling platform for sellers

1 Progressive corporatised model

- ✓ Opportunity to exit outdated partnership model
- ✓ No exposure to financial ownership risk of partnerships
- ✓ Remove the burden of compliance for equity partners
- ✓ Allow partners to focus on clients and people

2 Accelerate growth & profitability

- ✓ National brand and scale to support new client acquisition
- ✓ Broad service portfolio to cross sell to existing clients
- ✓ Well invested group support functions and technology

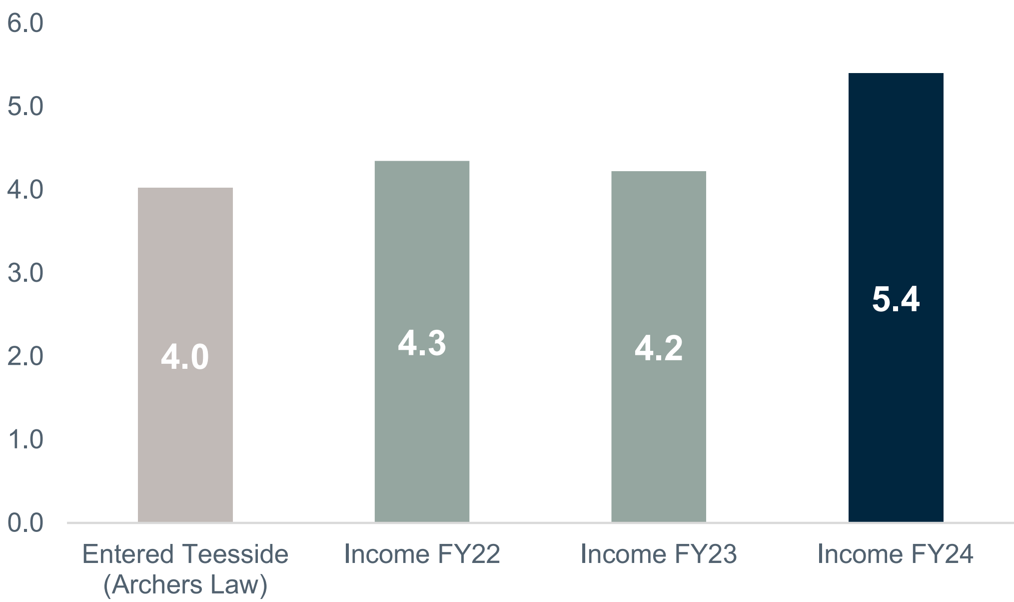
3 Superior proposition for employees

- ✓ Succession planning and investment in the next generation
- ✓ Enhanced career progression, underpinning talent retention
- ✓ Premium brand supports regional talent acquisition

Case Study - Teesside

- Acquired in November 2021
- Fully integrated, delivered 29% organic growth in FY24 from pricing and collaborative working with recruitment building to further drive organic growth in FY25
- Lock up improved from 151 days at acquisition to 60 days at 30 April 2024

Teesside office revenue progression (£m)



Summary & current trading

1

Encouraging start to the year with strong recovery in residential property

2

Concerted approach to client acquisition and bringing more services to more existing clients

3

Sustained recruitment momentum and good retention rate

4

Active pipeline of attractive acquisitions

5

A return to strong organic growth

6

Double the business in the medium term

Appendix

Deferred and Contingent consideration

	Deferred consideration (£'000)	Contingent consideration (£'000)	Total (£'000)
Accrued at 30 April 2024	**2,941**	**1,278**	**4,219**
Payable at 30 April 2024			
FY25	2,616	2,566	**5,182**
FY26	353	1,331	**1,684**
FY27	-	340	**340**
Total	**2,969**	**4,237**	**7,206**
Non Underlying P&L charge:			
FY25	25	2,280	**2,305**
FY26	3	651	**654**
FY27	-	28	**28**
Total	**28**	**2,959**	**2,987**

Organic growth calculation

£'000	30 April 2024	30 April 2023
Income pre FY23 / FY24 acquisitions	**134,657**	**132,131**
FY23 acquisition income	10,248	9,255
FY24 acquisition income	5,052	-
HPL (disposed of)	-	694
Total reported income	**149,957**	**142,080**
Organic movement		
£'000	2,526	
%	1.9%	

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

Reconciliation of fee earner numbers

	Partner & Senior Associates	Other-qualified professionals	Non-qualified professionals	Integrar	Total professionals
Opening FTE at 1 May 2023	**394**	**249**	**287**	**140**	**1,070**
Acquisition starters (net of any FY23 and FY24 acquisition leavers)	**8**	**2**	**-**	**-**	**10**
Re-classification / internal transfer to support teams	**17**	**18**	**(40)**	**(7)**	**(12)**
Net organic movement	**(19)**	**(22)**	**(16)**	**(47)**	**(104)**
FTE at 30 April 2024	**400**	**247**	**231**	**86**	**964**

Reconciliation of underlying to statutory measures – PBT

Underlying profit before tax [8] (£'000)

	30 April 2024	30 April 2023
Profit before tax	**14,831**	**11,529**
Amortisation on acquired intangibles	3,580	3,441
Non-underlying operating costs	6,630	6,473
Non-underlying finance costs	281	152
Underlying profit before tax [8]	**25,322**	**21,595**

(8) See Glossary

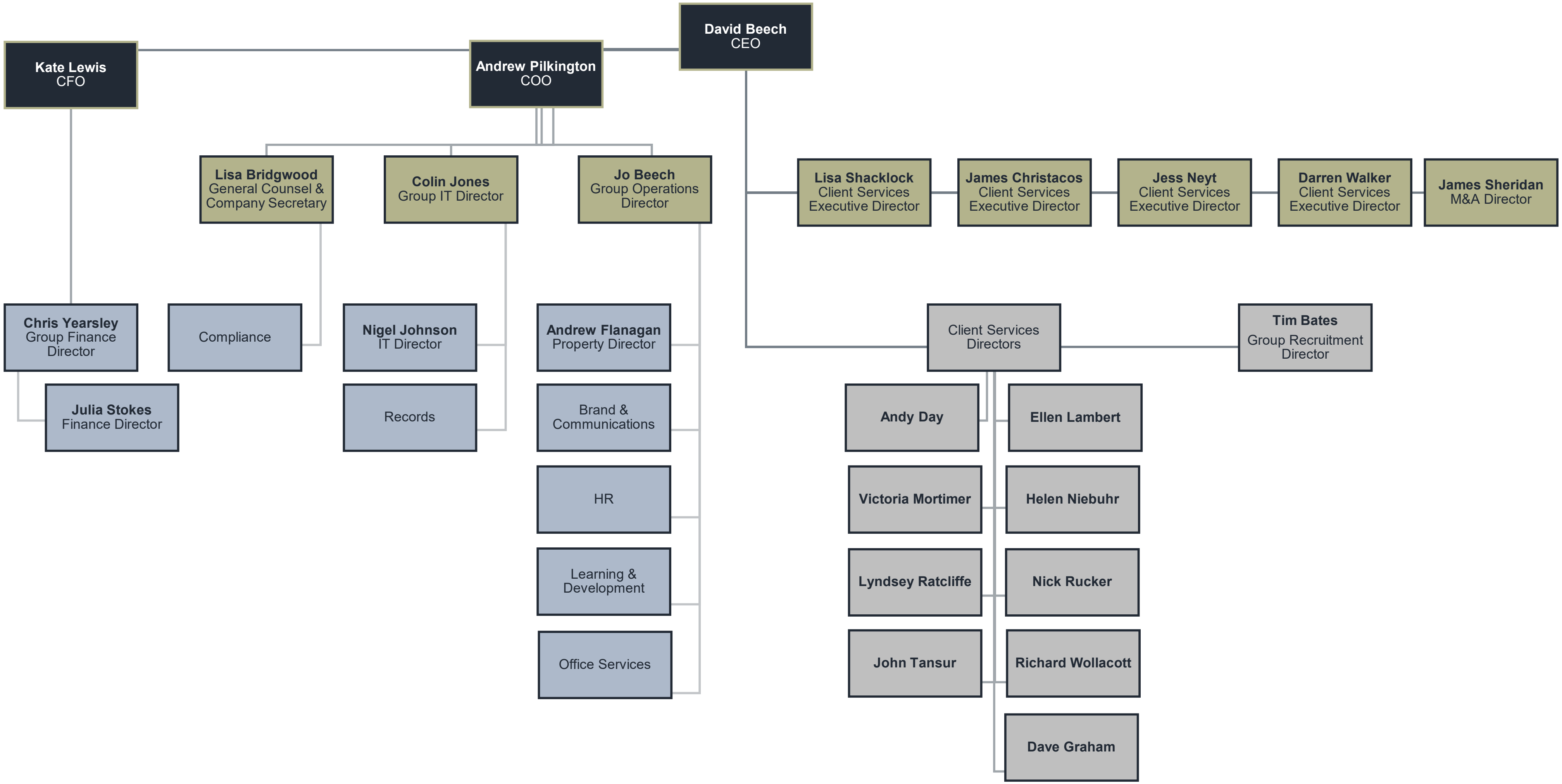
Reconciliation of underlying to statutory measures – PAT and EPS

Underlying profit after tax [15] (£'000) / Underlying earnings per share [9] (pence)

	30 April 2024	30 April 2023
Profit after tax	9,847	7,944
Amortisation on acquired intangibles	3,580	3,441
Non-underlying costs	6,911	6,625
Tax impact of non-underlying costs	(1,614)	(1,129)
Non-recurring deferred tax adjustment	-	410
Underlying profit after tax [15]	**18,724**	**17,291**
Underlying earnings per share [9]	**Pence**	**Pence**
Basic underlying earnings per share	21.81	20.20
Diluted underlying earnings per share	21.13	20.00

(9), (15) See Glossary

Leadership team



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

ESG

- Knights' strategic ESG programme includes a framework of KPIs and goals which are continuously kept under review
- During the year we have made good progress against commitments. We are working with an external consultant to set detailed measurable objectives during FY25
- We are seeing see increasing momentum in our work within our communities through the 4 Our Community initiative

ESG PILLARS

Managing our business for the long term

66% of fee earning employees are female

BOARD COMPOSITION
Gender diversity **60%**
Independent directors **60%**

Caring for our people and communities

Employee NPS **+15**
(FY23: +20)

Client NPS **+62**
(FY23: +64)

Staff churn[4]: **12%**

Looking after the environment

Paper usage: 8% reduction in paper usage in the year

Hazardous Waste: 0kg

Recycled/energy recovery: 100%

Carbon usage ratio: 0.63

(4) See Glossary

Guidance

Revenue	High single digit organic growth driven by price increase of 6%, strong recruitment in FY24 continuing into FY25 together with increasing volumes already seen in the residential property market and anticipated in the corporate market in H2. Full year impact of FY24 acquisitions.
Interest income	Expect interest rates to fall in the year resulting in a reduction in interest income received.
Staff costs	Direct staff costs - Anticipate improving efficiencies, productivity and cost control to reduce direct staff cost as a % of revenue by c.1% Support staff costs - Anticipate costs as a % of revenue to reduce by c.0.5%.
Other costs	Other costs to reduce by c.0.5% of revenue as we benefit from cost savings and leveraging of central costs more than offsetting the additional investment in IT and BD required to support growth.
EBITDA	Marginal improvement in EBITDA % in the year.
IFRS 16 costs	Cost savings on property portfolio management set off against increases in property cost increases due to rent reviews, new leases etc enabling us to gradually leverage property costs by c 0.2%.
EBITDA post IFRS 16	Net improvement in margin of c.0.5%driven by efficiencies discussed above.
Depreciation and amortisation	Similar % of revenue as FY24 plus additional depreciation on the property refurbishments (£5.5m spend in FY24 and £9m spend in FY25 (assume 6 month charge) - depreciate spend over 10 years).
Finance charges	Total cost similar to FY24.
PBT	Marginal improvement in PBT margin similar to FY24 with the reduction in interest income being more than offset by improvements in gross margin and leveraging of other costs.
Tax	Assume 26.5% Being corporation tax rate of 25% plus 1.5% for disallowable costs and other movements.
Shares	Weighted average shares at 30 April 2024 of 85,840,000, plus 2,800,000 dilutive impact for potential unexercised awards.
Capital expenditure	Total cap ex of £11m being normal £2m IT equipment etc and £9m on office refurbishments.
Dividend	Final FY24 dividend of £2.4m payable in H1 25; Interim dividend payable in H2. No anticipated changes to dividend policy of c.20% of PAT.
Deferred and contingent acquisition payments	See table of page 24 of presentation.
Non underlying costs	Contingent acquisition payments charge for the year of £2.3m plus estimate £1m of cost relating to ongoing onerous contracts, leases from acquisitions.

Glossary

1. Fee earners are individuals working on a fee earning basis, which includes professionals (legal and non-legal) of all levels. This metric is calculated by averaging month-end FTE's over the reporting period, including all organic, acquisition and Integrar fee earners.

2. Clients refers to the number of active clients as at the period end.

3. Senior Recruits include Partner and Senior Associate professionals.

4. Employee Retention rate is 100%, less FTE (Full Time Equivalent) Churn. Churn is based on all qualified fee earners (point 1 above) that have been with the business for over a year, excluding restructuring churn and acquisition churn in the year of acquisition and the following year. Integrar FTE's are excluded from all churn calculations.

5. FCF (Free Cash Flow) Conversion is also referred to as Underlying Cash Conversion. FCF is calculated as the total of net cash generated from operating activities after adjusting for tax paid and the impact of IFRS16. Conversion % is calculated by dividing FCF by underlying PAT (point 15 below).

6. The consensus is the average of forecasts collated from 5 research analysts. The figures are not based on, nor do they represent, Knights' own opinions, estimates or forecasts and are compiled and published without endorsement or verification by Knights.

7. Total group results including HPL, which was disposed of in FY23 and contributed revenue of £0.7m and underlying PBT (point 8 below) loss of £0.1m.

8. Underlying PBT (Profit Before Tax) is before amortisation of acquired intangibles, non-underlying operating expenses, and non-underlying finance costs. Non-underlying operating expenses include transaction and onerous lease expenses in relation to acquisitions, contingent acquisition payments, disposal of acquired assets, along with one-off restructuring staff and professional expenses mainly incurred through streamlining support functions or strategic reorganisations. Contingent acquisition payments are required to be reflected through the Statement of Comprehensive Income as remuneration under IFRS accounting conventions

9. Underlying EPS (Earning per Share) is underlying PAT (point 15 below) divided by the weighted average number of ordinary shares in issue.

10. Net debt includes cash and cash equivalents, borrowings and acquired debt but excludes lease liabilities.

11. Lock Up is calculated as the combined debtor and WIP (Work In Progress) days as at a point in time. Debtor days are calculated on a count back basis using the gross debtors at the period end and compared with total fees raised over prior months. WIP days are calculated (excluding that relating to clinical negligence claims, insolvency, and ground rents) based on the gross work in progress, and calculating how many days billing this relates to, based on average fees per month for the last 3 months. Lock up days excludes the impact of acquisitions in the last quarter of the reporting period.

12. Excludes non-underlying items and amortisation on acquired intangibles

13. Underlying EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is operating profit before depreciation, amortisation and non-underlying operating expenses (point 8 above).

14. Underlying EBITDA post IFRS 16 is used as a metric as this reflects the profits after deduction of rental costs, which is most comparable to the EBITDA reported at IPO, before the introduction of IFRS 16.

15. Underlying PAT (Profit After Tax) is underlying PBT less any tax in respect of underlying items.

Knights

Thank you

Knights

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