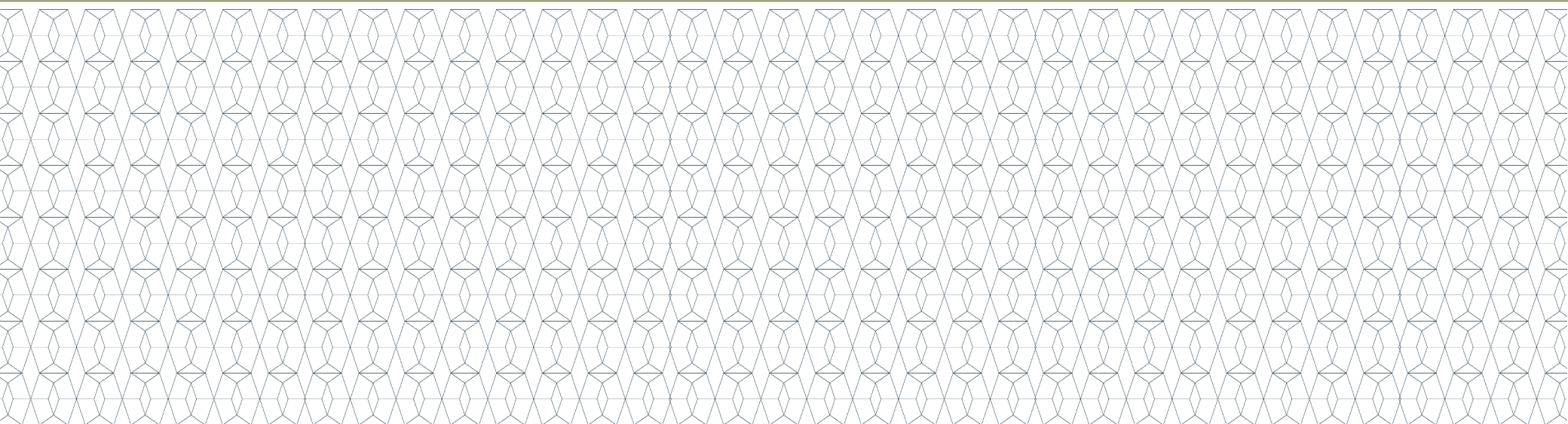


# Results for the half year ended 31 October 2019

***A diversified platform for profitable growth***

January 2020



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## Strengthened our platform for growth

**Strong organic  
growth of 13%**

**Accelerating  
recruitment  
momentum**

**Successful  
integration of  
four post IPO  
acquisitions**

**Entered  
Birmingham  
through two  
acquisitions**

# The leading corporatised business model in legal services

Experienced operator, having corporatised in 2012

Industry  
leading  
working  
capital days

Fee earner to  
non fee earner  
ratio well  
above market  
average

Single digit  
churn  
significantly  
below industry  
levels

Cash

Profit

Robust platform for growth

# A diversified base from which to grow

- Over 10,000 clients
- Average matter of c.£3,000
- 175 clients generating over £50,000 pa

Real Estate	Dispute Resolution	Corporate	Private Client
Asset Management Construction Development Planning	Litigation Debt Recovery Employment Property Litigation	Commercial Mergers/Acquisitions Banking Employment	Landed Estates Tax and Trusts Conveyancing Family
38%	28%	23%	11%



*\*Biffa and Mitchells & Butlers will become clients of Knights on completion of the acquisition of ERT*

## Financial highlights

**+13%**

**Organic revenue growth**  
*Total growth +34%*

to £32.0m  
(HY 2019: £23.9m)

**+23%**

**Underlying EBITDA**  
growth <sup>(1)</sup>

to £7.3m  
(HY 2019: £5.9m)

**+24%**

**Underlying PBT <sup>(1)</sup> growth**

to £5.3m  
(HY 2019: £4.2m)

**+14%**

**Underlying EPS<sup>(1)</sup>**

To 5.95p  
(HY 2019: 5.24p)

**77%**

**Underlying cash**  
conversion<sup>(2)</sup>

(HY 2019: 138%)

**+83%**

**Interim dividend**

To 1.10p  
(HY 2019: 0.6p)

(1) A full reconciliation of the underlying figures and cash conversion is provided on slides 30-33. NB HY 2019 figures have been restated to reflect IFRS 16 impact

(2) Excluding impact of double tax

# Solid financial performance

## Summary income statement (£,000)

	HY 2020	HY 2019
<b>Revenue</b>	<b>31,977</b>	<b>23,861</b>
<b>Revenue Growth</b>	<b>34.0%</b>	<b>36.6%</b>
Other operating income	281	220
Staff costs <sup>(1)</sup>	(19,931)	(13,377)
Other operating charges <sup>(2)</sup>	(5,014)	(4,761)
<b>Underlying EBITDA<sup>(1,2)</sup></b>	<b>7,313</b>	<b>5,943</b>
<b>Underlying EBITDA margin</b>	<b>22.8%</b>	<b>24.9%</b>
Depreciation and amortisation charges (excluding amortisation on goodwill)	(1,418)	(945)
Underlying Finance charges	(642)	(777)
<b>Underlying profit before tax</b>	<b>5,253</b>	<b>4,221</b>

- Organic growth of 12.6%
- Income from acquisitions £9.7m in the period
- Fees per fee earner £63k
- Gross margin 46.2% (H1 2019: 51%)

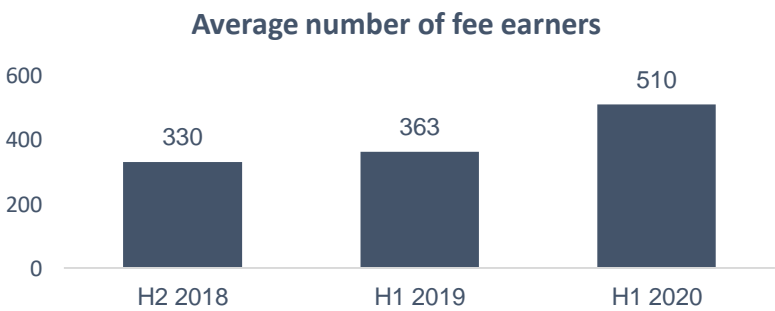
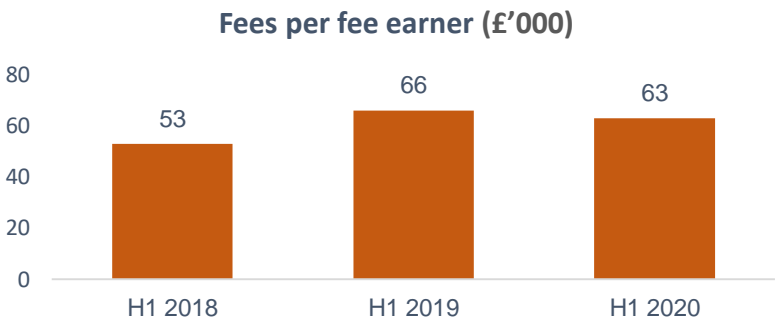
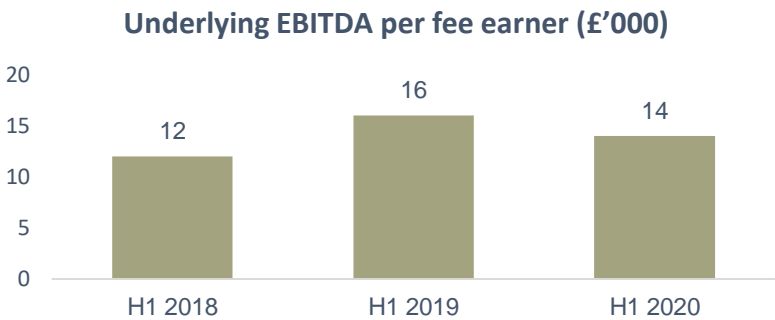
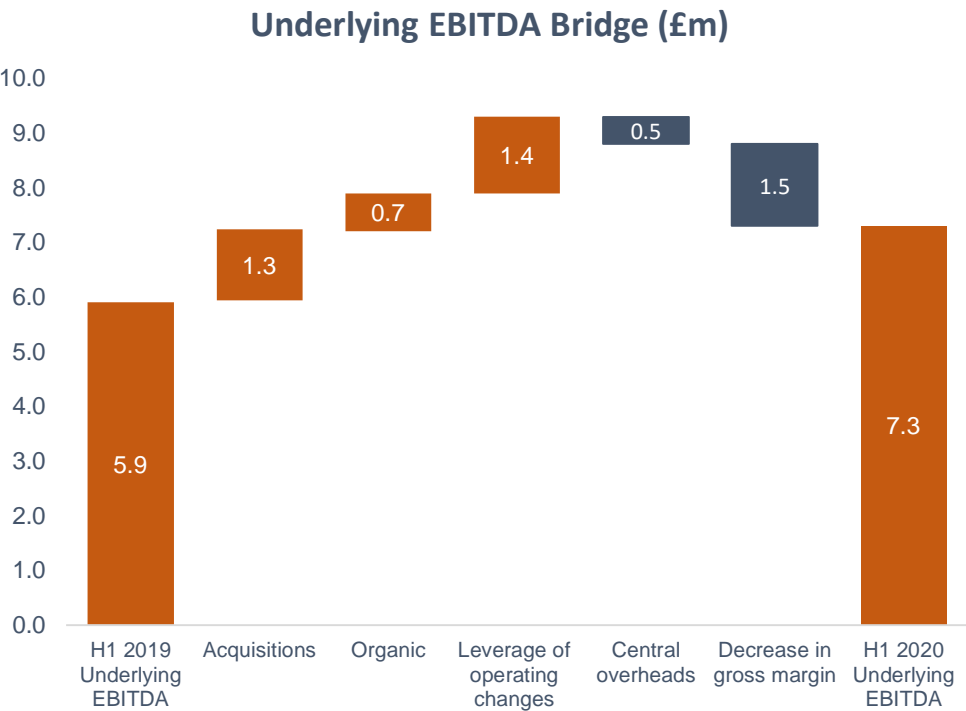
- Profitability down marginally during period of investment and recruitment
- Direct staff cost 53.6% of revenue<sup>(3)</sup> (H1 2019: 49.6%)
- Underlying EBITDA per FTE fee earner £14k <sup>(4)</sup>

- Reduced finance charge reflected improved terms on new £27m facility
- PBT +20% representing a margin of 16.4%
- Reduced from 17.7% in HY 2019 due to step up investment in fee earner recruitment, operational staff and quality office space

Source: Statutory accounts and interim report.

(1) Excludes one-off share-based payment charge (2) Excludes non-recurring costs (3) Calculated based upon management accounts information (4) Average full time equivalent staff numbers over the period  
A full reconciliation between our underlying and statutory profits is provided in slides 30-35. NB HY 2019 results have been restated on an IFRS 16 basis for comparison purposes.

# Driving profit growth



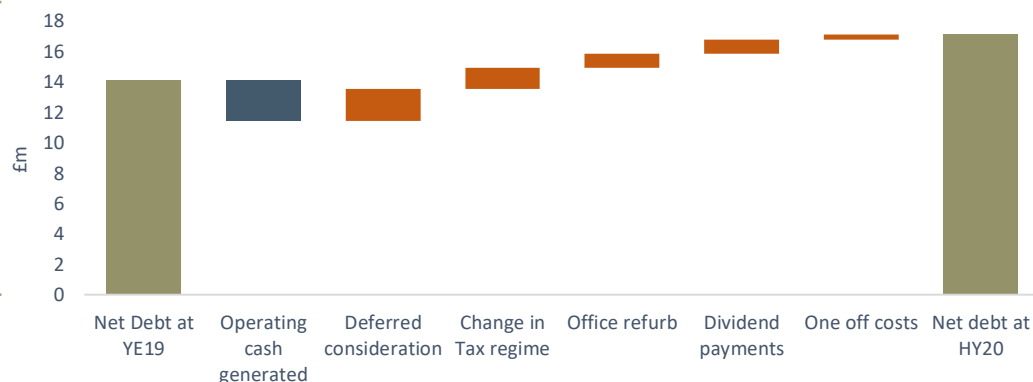


# Balance sheet summary

## Summary balance sheet (£,000)

£'000	31 October 2019	31 October 2018 <sup>3</sup>	30 April 2019
Goodwill & other intangibles	45,842	37,283	46,444
Property, plant and equipment & other assets (including right of use assets)	23,931	18,494	22,498
<b>Non current assets</b>	<b>69,773</b>	<b>55,777</b>	<b>68,942</b>
Trade & other receivables	26,908	19,610	24,783
Trade and other payables	(11,285)	(8,321)	(11,237)
<b>Working capital</b>	<b>15,623</b>	<b>11,289</b>	<b>13,546</b>
Net debt	(17,084)	(9,513)	(14,096)
Deferred consideration	(1,652)	(3,886)	(5,116)
Tax liability & provisions	(3,940)	(3,187)	(2,243)
Finance leases (IFRS 16)	(19,815)	(16,143)	(19,959)
<b>Other liabilities</b>	<b>(42,491)</b>	<b>(32,729)</b>	<b>(41,414)</b>
<b>Net assets</b>	<b>42,905</b>	<b>34,337</b>	<b>41,074</b>

- Adoption of IFRS 16 'Leases' increased assets and liabilities on the balance sheet by £20m each
- Net debt at £17.1m; £1.4m ahead of management expectations
- Year end lock up – WIP and debtor days: 94 (93 at 30 April 2019)<sup>(2)</sup>
- Underlying cash flow conversion 77%, excluding double tax impact of change in tax regime



(1) The free cash flow is shown on slide 33 (2) excluding clinical negligence, highways claims and Long Harbour WIP which operates under conditional fee arrangements (i.e. being contingent on the outcome of the matter).

(3) Results to 31 October 2018 & 30 April 2019 have been restated using the accounting principles of IFRS16.

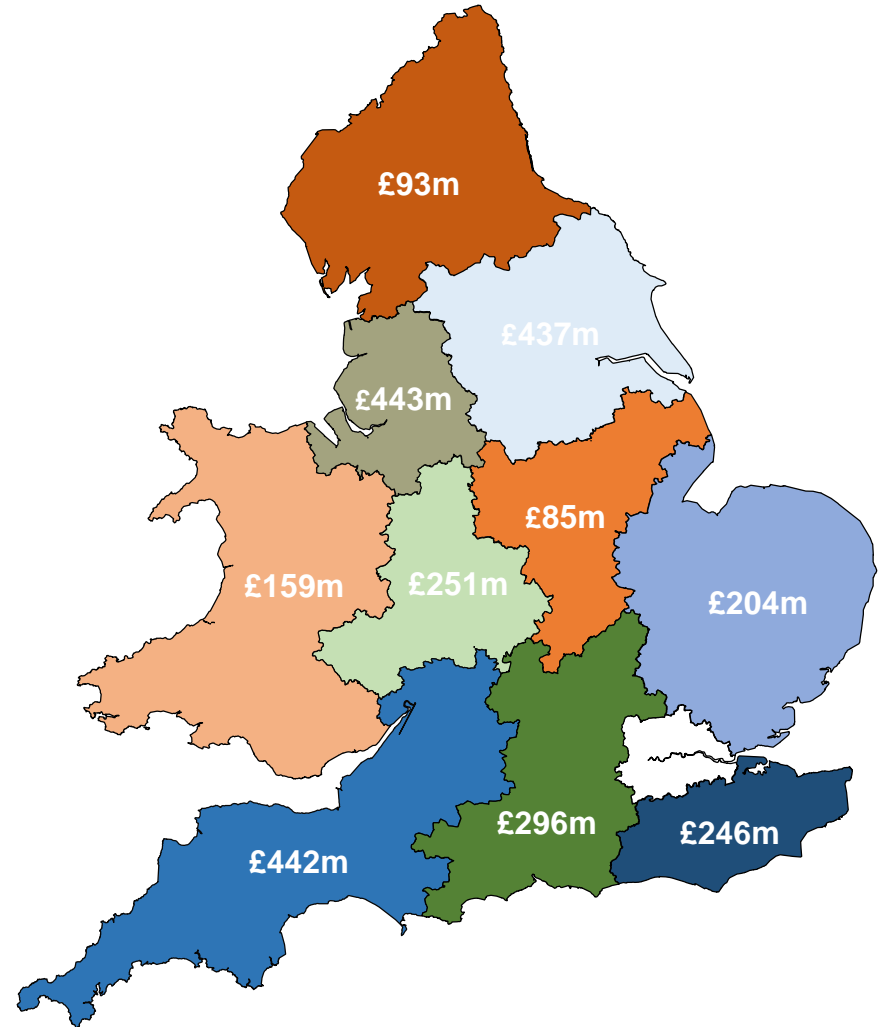
# The market opportunity

< 3% share of  
a £2.6bn  
addressable  
market

Market  
growing at  
3-5%

c.160 firms  
Revenue  
£2 – £60m  
outside  
London

Market size – revenues by region



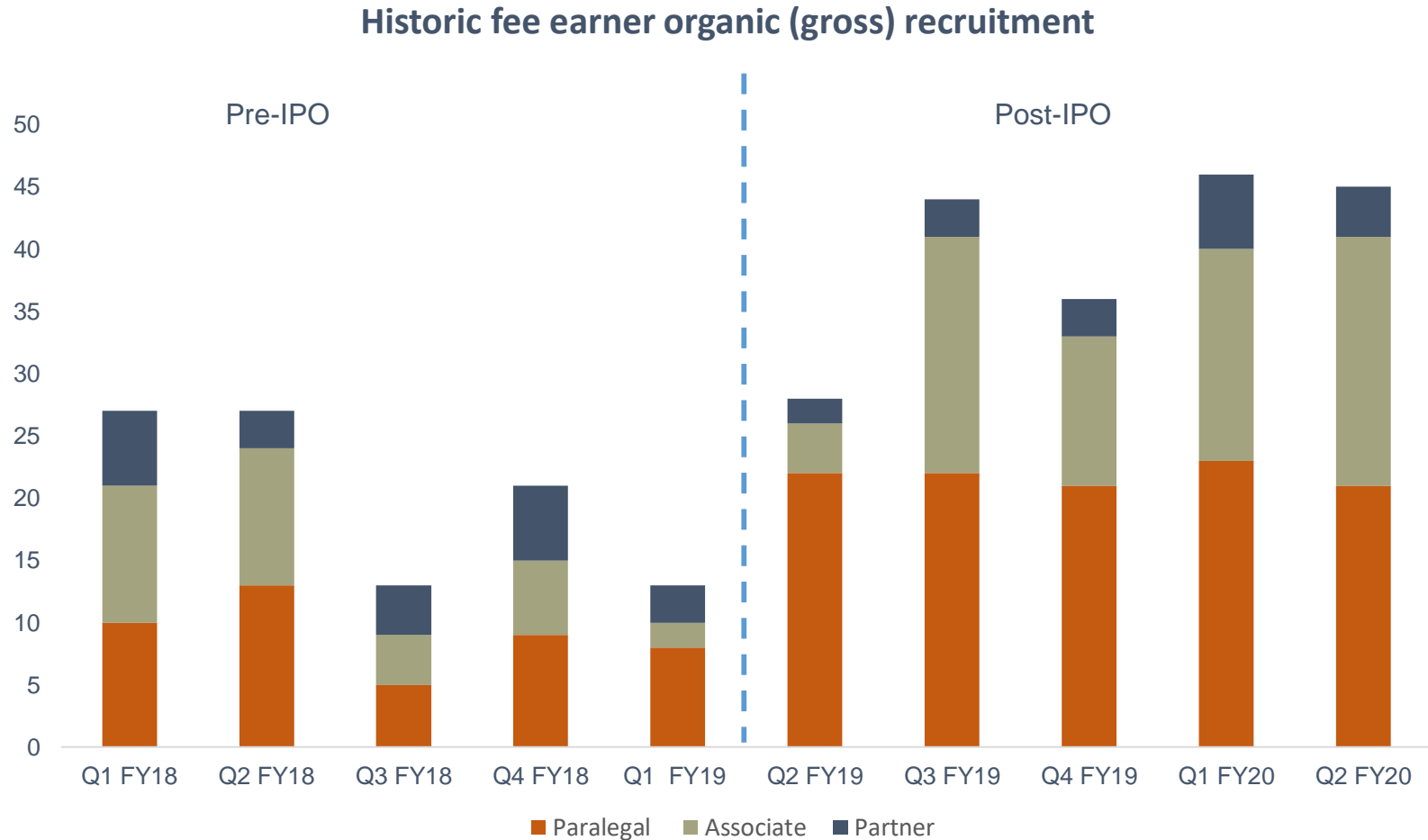
## Knights – A unique opportunity for recruits



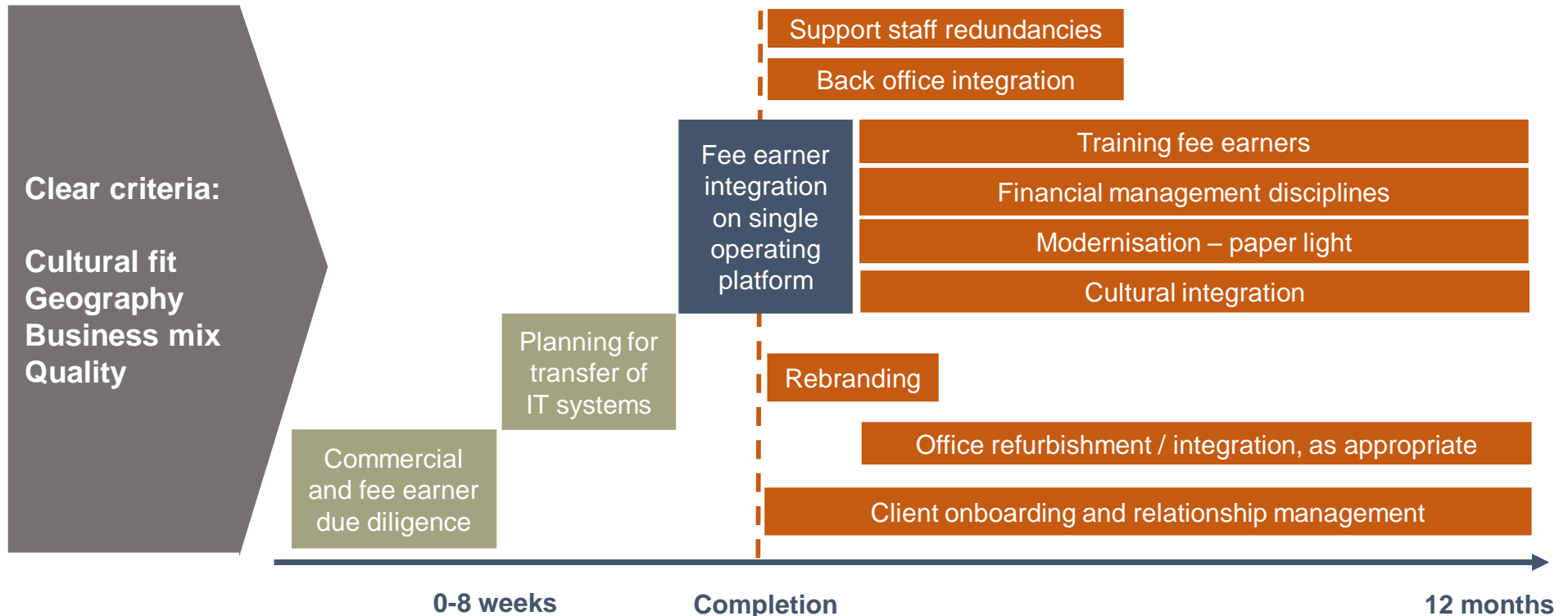
Knights is attractive in a changing and consolidating market driven by:

- Client demand for value and a range of expertise
- Fee earner demand for sustainable work life balance
- Cost and compliance pressure
- The need to invest in technology

# Recruitment remains broad based



# Acquisitions – A tried and tested formula for origination and integration



- Transaction selected and structured to deliver smooth integration and retain key staff
- Specialist in house team in place to manage DD/legal, IT, HR and finance integration, and cultural transition
- Clear ownership at every step of the process with broad experience across our management team

## Continuing to execute our strategy – Supplemented by strategic acquisitions

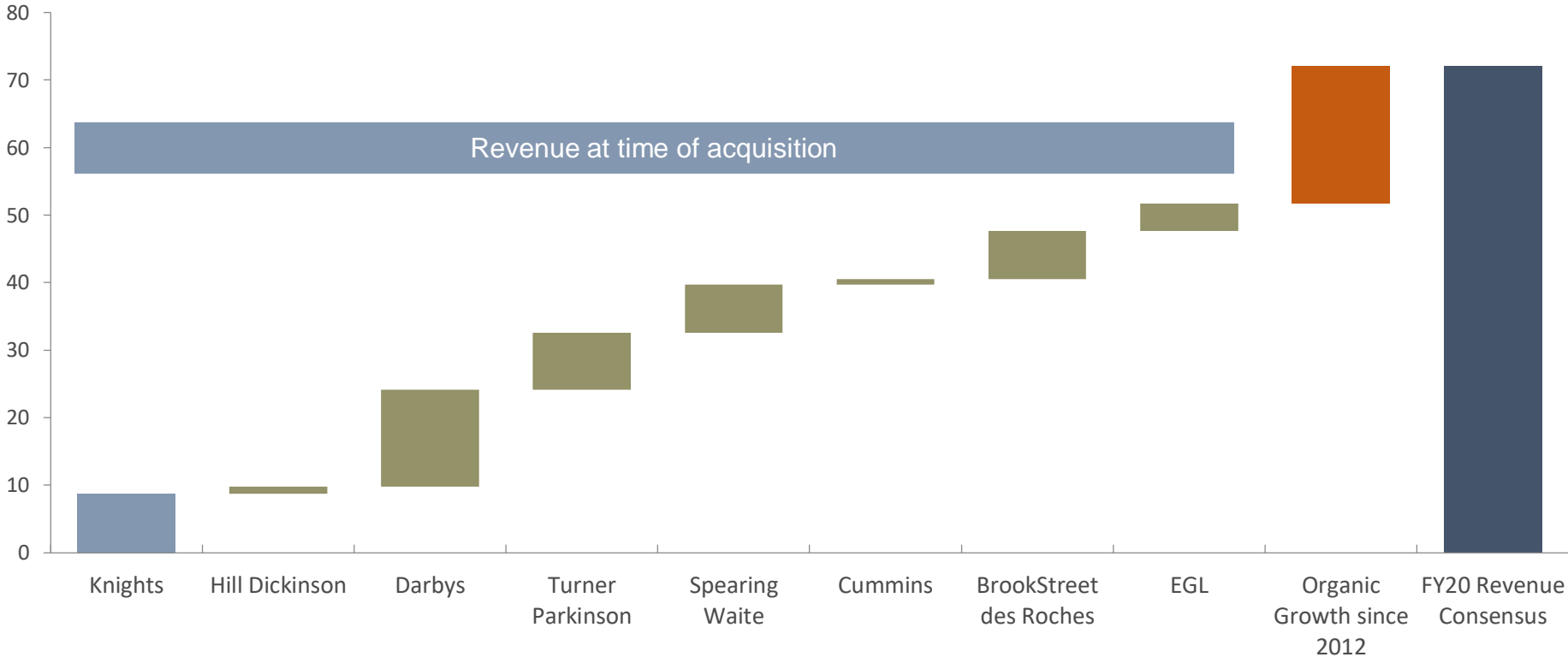
Highly selective, quality acquisitions to accelerate growth in existing locations or provide platforms for growth in new geographies or specialisms

<b>Turner Parkinson</b> 29 June 2018	One of the top corporate law firms by deal volume in the North West, with 44 fee earners	Manchester office 79 fee earners
<b>Spearing Waite</b> 8 October 2018	Leading independent law firm in Leicester with 59 fee earners	Leicester office 67 fee earners
<b>Cummins</b> 14 January 2019	Employment specialist with 5 fee earners, expanded capabilities in Leicester	
<b>BrookStreet des Roches</b> 1 April 2019	Leading independent law firm in Oxford, with a strong national reputation for its real estate practice	Oxford office 144 fee earners
<b>Emms Gilmore Liberson</b> 1 November 2019	Well established independent commercial law firm in Birmingham, adding 28 fee earners	Birmingham office 57 fee earners
<b>ERT Limited</b> 6 January 2020	Specialist commercial litigation law firm in Birmingham adding 24 fee earners	

In house M&A and integration team

Synergies achieved following two months of cultural integration

# Creating value through organic and acquisitive growth



*\*The provision of the consensus forecasts does not imply Knights endorsement of analyst forecasts*

**Additional scale, breadth of service and geographical reach from acquisitions supports further organic growth**

# Investing in the business to support future growth

## Building the team

*Expanded operational management and team*

e.g. new Client Services Director and Recruitment Director appointments

Operational management supporting M&A and the development of the business (pricing, time recording etc)

Day to day support for fee earners will be leveraged over time

## Transacting more efficiently

*Building operational scale to perform transactional tasks through wider automation of Knights' Operating Platform*

Accelerated auto posting and monthly reporting

Integrated time recording

Fully integrated system, with rapid, firm-wide information available across one platform

## Tech-enhanced delivery

*Enhanced service delivery, including the acceleration of document review and creation, ensuring lawyers can focus on high-value added tasks*

30 day payment reminder, including price revisiting

3 pilots on lease reviews

Better time recording



## On track to achieve FY20 guidance

Significant progress made in first half to achieve FY20 guidance set out at the time of the IPO

	Achieved at IPO	FY20 guidance at IPO	Achieved by Jan 2020
<b>Fee earners</b>	350	750	633
<b>Fee earners : support staff ratio</b>	4.5:1	Increase leverage of overheads	4:1
<b>Geographic footprint</b>	6 offices	9+ offices	10 offices
<b>Acquisitions</b>	3	3+ further acquisitions	6 completed since IPO

- Recruitment pipeline growing in size and quality
- Acquisition pipeline remains robust, bolstered by growing profile
- Continue to move into new markets, acquiring and attracting high quality fee earners
- Significant opportunity for Knights to grow in a UK legal services market outside London worth c.£2.6bn

## Summary and outlook

**Strengthened and diversified platform for continued profitable growth**

**Good cash conversion**

**Invested in the platform to support scaling up**

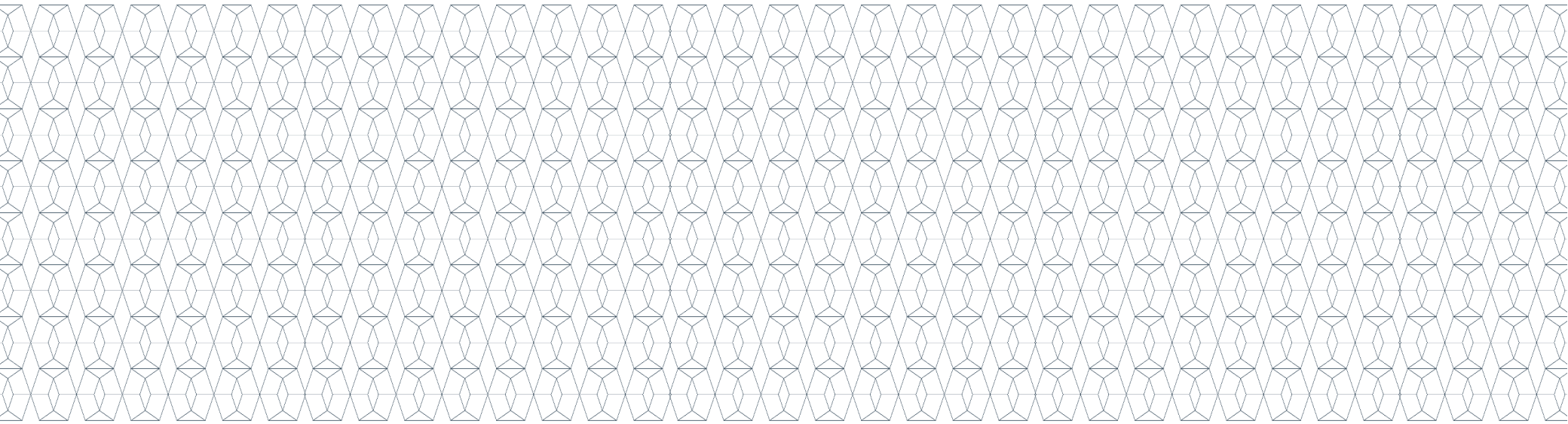
**Realising the benefits of recruitment momentum and recent acquisitions**

**Excellent pipeline of potential high quality acquisition opportunities**

**Financial flexibility to deliver organic and acquisitive growth strategy**

**Good start to second half, comfortable of meeting full year expectations**

# Appendix



# Environment, social and governance

## Environment

Eliminated use of disposable, cups, cutlery and crockery in the last 2 years

Increased use of digital working practises means we have reduced **2.5m pages per year**

**£2m+** invested in improved working environment

## Employee

**43%** of partners are female

**54%** upper quartile fee earners are female

**Over 50%** employees are shareholders via share plans

Strong employee retention with **<10% churn**

## Social

4theCommunity - Colleagues **have 4 hours** of work time a month to spend helping their local communities

- Knights Big Walk
- Hospital Garden Tidy Up
- HSBC UK Charity Five-a-Side Tournament
- Prevent Breast Cancer – Exercise Bike Challenge
- Hospice for The Good Shepherd Quiz Night

Aspirations to deliver **30k+ hours** to our communities

Data security remains a top priority

A member of the slave-free alliance

## Corporate Governance

Independent board members

**2 of 6** board members are female

Independent Audit and Remuneration Committees

Voting rights for shareholders are equal

Jane Pateman appointed as Board Director with overall responsibility for ESG

Compliant with the QCA Corporate Governance Code for small and mid-sized companies

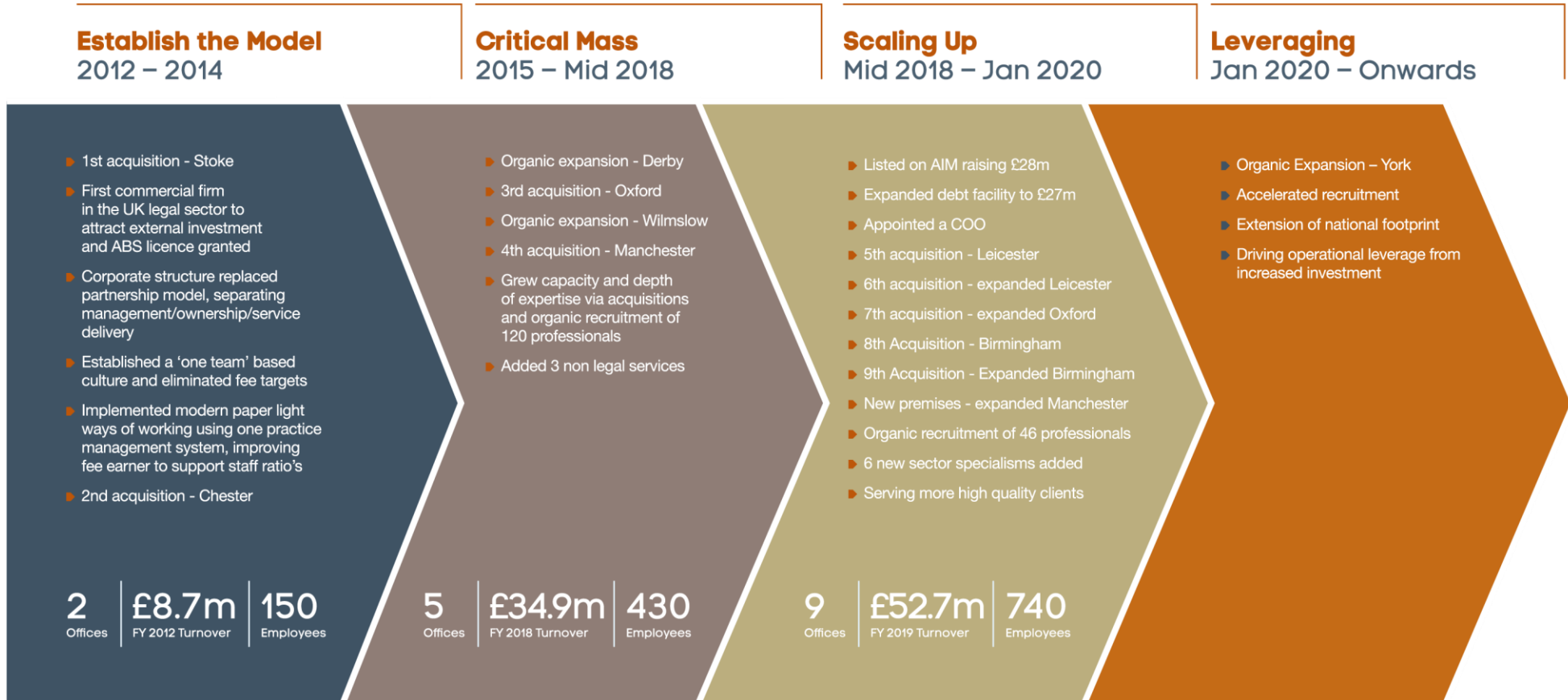
# Knights investment proposition

High growth, high resilience, proven model

- 1 Challenger to the legal services model in a highly attractive, fragmented market
- 2 Resilient business with high quality of earnings and a capital light model
- 3 A proven and compelling platform for legal professionals
- 4 Multiple organic growth levers to drive significant value creation
- 5 Flexible and value accretive M&A strategy underpinned by proven track record
- 6 Excellent financial track record of profitable, cash generative growth

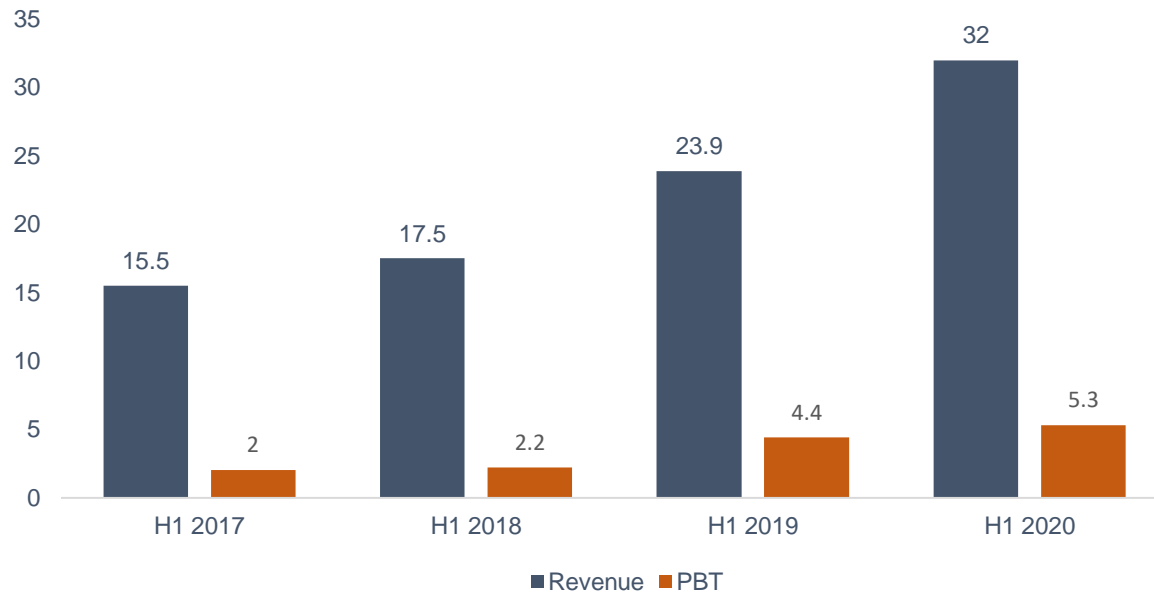
# The journey to date

## Successful track record of organic and acquisitive growth



# Strong track record – continued growth momentum

## Significant revenue and underlying PBT growth (£m)



- ✓ New regions
- ✓ Healthy recruitment
- ✓ Investing in support staff

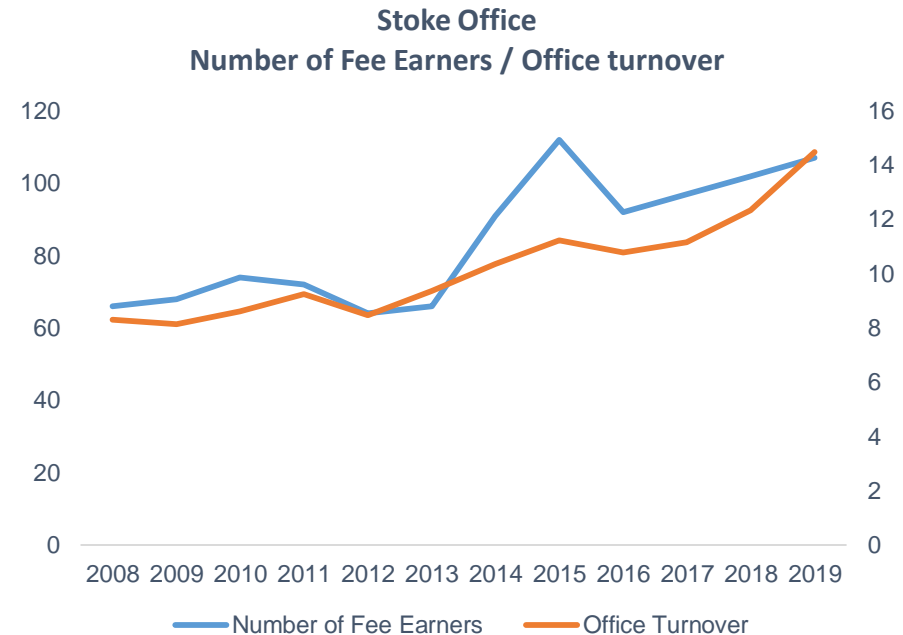
- Revenue growth driven by strong recruitment of 43 fee earners, including an increasing number from top 50 law firms
- Underlying PBT +20% y/y at HY20, reflecting a period of significant investment to prepare for further growth

## Delivering on our strategy - organic growth

- H1 2020 marked a strong period for organic growth:
  - 43 net new fee earners recruited, compared to 46 in the whole of last year
  - Benefitting from newly created recruitment director role
  - Opened new, larger offices in Manchester
- Continued momentum in H2 2020:
  - 31 fee earners accepted positions at 31 October 2019
  - New organic office opening in York by end January 2020

### Stoke office case study

- Our second largest office by number of fee earners
- Diversified revenues across full client offering
- Impact of growing scale on office recruitment



***Supports margin growth as we scale the business and increase client engagement***



# Developing the Group organically

- **More fully serving high quality UK clients**

- Clients that buy more than one service from us has increased by 13% to more than 1,100, but the vast majority still buy one. There is a significant opportunity to continue to grow this year on year.
- We continue to attract new clients as our name and reputation spreads.
- We have also invested in a Sales Director role.

- **Growing attractive niche specialisms**

- We are seeing a number of attractive new markets emerging, which has led us to expand our service offering.
- Specialisms: Energy, Regulatory, Healthcare, Information Technology, Intellectual Property and Highways & Properties damage.

- **Attracting new talent (be that individuals or teams)**

- Appointed an experienced recruitment leader to accelerate our recruitment.
- Creating a direct recruitment channel for faster, more cost effective recruitment.

- **Developing existing talent**

- Provide a collegiate, supportive environment, where quality work flows to people, and people are coached so they learn quickly.
- Actively use technology so our people lose their fear, then learn how to exploit it to serve them.
- Proactively build business acumen through financial responsibility and on the job coaching.

# Recruitment: A compelling platform for fee earning legal professionals

## Quality work, opportunities and choice, with sustainable balance

- Fee earners focus on clients & quality work, leaving management to focus on the business
- Opportunity to pioneer change in legal & professional service delivery
- Opportunity to pursue long-term career and life ambitions

## No financial risk

- Partners are not exposed to the financial ownership risks of LLP structures
- Healthy fast growing business provides excellent job security

## 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 the cumbersome structure
- An agile, ambitious culture that encourages people to play to their strengths

## Attractive package with public listing providing great flexibility

- Remuneration at or above market levels through salary only
- All can share in Knights' success via attractive employee share schemes
- Significant regional lifestyle benefits

## Delivering on our strategy – acquisitive growth

- Grew prior period acquisitions as platforms for expansion in H1 2020:
  - Manchester – increased 44 fee earners acquired with Turner Parkinson in June 2018 to 79
  - Leicester – grown from 64 fee earners acquired with Spearing Waite in October 2018 and Cummins Solicitors in January 2019 to 67
  - Oxford – expanded from 140 fee earners acquired with BrookStreet des Roches in April 2019, to 144
- Entered Birmingham in H2 2020 with the acquisition of two high quality businesses:
  - Emms Gilmore Liberson - Well established independent commercial law firm in Birmingham, adding 28 fee earners
  - ERT – Specialist commercial litigation law firm in Birmingham adding 24 fee earners
- Acquisition pipeline of independent law firms outside of London is growing from which we remain highly selective

# Executive Management

**David Beech** CEO



- Chief Executive of Knights since 2011
- Spent 16 years as a corporate lawyer followed by 5 years in Private Equity
- David acquired and remodelled the business in 2012
- Terminated the partnership, fully corporatised the business, made several acquisitions and secured external funding to transform it into a growth platform
- Majority shareholder 45%

**Kate Lewis** CFO



- Kate joined Knights in 2012 as Finance Director
- Kate is a Chartered Accountant and previously worked for KMPG and Baker Tilly, specialising in the provision of audit services to Professional Services businesses including solicitors
- Oversaw the Group's corporatisation, refinancing processes with both Allied Irish Bank and Permira and AIM listing

**Richard King** COO

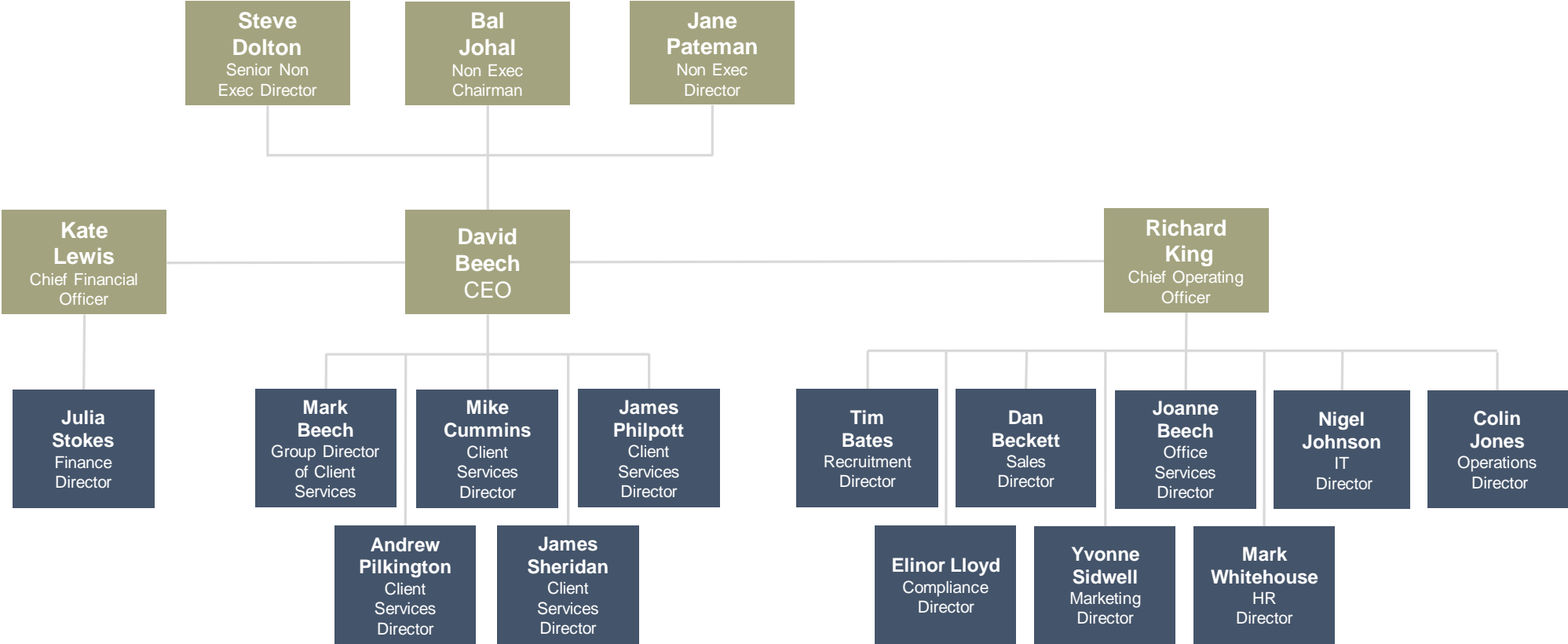


- Richard joined Knights in June 2018
- Richard has extensive experience of transforming operating models, integrating acquisitions and exploiting technology to scale-up and deliver operational efficiency in large enterprises such as Procter & Gamble, Shell and a B2B cloud services start-up (Transora)
- Previously was European Commercial Capabilities Director at Procter & Gamble

# Leadership team

PLC Board

Central management



# Reconciliation of underlying to statutory measures – EBITDA and PBT

## Underlying EBITDA (£,000)

	HY 2020	HY 2019
Operating profit	3,455	3,880
Depreciation and amortisation charges	2,010	645
Non-underlying costs	1,848	643
Non-underlying share based payment costs	-	88
IFRS 16 impact in prior year	-	687
<b>Underlying EBITDA</b>	<b>7,313</b>	<b>5,943</b>

## Underlying PBT (£,000)

	HY 2020	HY 2019
Profit before tax	2,789	1,447
Amortisation	592	277
Non-underlying costs	1,848	643
Non-underlying share based payment costs	-	88
Non-underlying finance costs	24	1,924
IFRS 16 impact in prior year	-	(158)
<b>Underlying profit before tax</b>	<b>5,253</b>	<b>4,221</b>

# Reconciliation of underlying to statutory measures – analysis of non underlying and non recurring costs

## Non underlying operating costs (£,000)

	HY 2020	HY 2019
Redundancy costs	288	338
Transaction costs	51	305
Share based payment charges (one off IPO related awards)	280	-
Contingent consideration (on acquisitions)	1,229	-
<b>Non underlying operating costs</b>	<b>1,848</b>	<b>643</b>

## Non-recurring finance costs (£,000)

	HY 2020	HY 2019
Exit and release of arrangement fees on repayment of debt at IPO	-	1,924
Interest on deferred consideration (on acquisitions)	24	-
<b>Non recurring finance costs</b>	<b>24</b>	<b>1,924</b>

# Reconciliation of underlying to statutory measures – PAT and EPS

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

	HY 2020	HY 2019
Profit after tax	2,114	1,110
Amortisation	592	277
Non-underlying operating costs	1,848	731
Non-recurring finance costs	24	1,924
Tax in respect of the above	(213)	(491)
<b>Underlying profit after tax</b>	<b>4,365</b>	<b>3,551</b>
<b>Underlying earnings per share</b>	<b>Pence</b>	<b>Pence</b>
Basic underlying earnings per share	5.95	5.48
Diluted underlying earnings per share	5.88	5.47



# Free cash flow and cash conversion

## Free cash flow and cash conversion %

	HY 2020	HY 2019
Cash generated from operations	4,941	5,377
Adjustment for cash outflow re IFRS 16 accounting	(987)	-
Tax paid	(1,993)	(488)
<b>Net cash from underlying operating activities</b>	<b>1,961</b>	<b>4,889</b>
<b>Underlying profit after tax</b>	<b>4,365</b>	<b>3,551</b>
Cash conversion	45%	138%
<b>Reverse impact of double taxation due to change in regime</b>	<b>1,400</b>	<b>-</b>
Cash from operating activities excl double tax impact	3,361	4,889
<b>Underlying cash conversion (excluding impact of change in tax regime)</b>	<b>77%</b>	<b>138%</b>

# IFRS 16 Reconciliation of Comprehensive Income

	IAS 17 HY 2020 £'000	Change £'000	Reported IFRS 16 HY 2020 £'000	Reported IAS 17 HY 2019 £'000	Change £'000	Restated IFRS 16 HY 2019 £'000	Reported IAS 17 FY 2019 £'000	Change £'000	Restated IFRS 16 FY 2019 £'000
Revenue	31,977		<b>31,977</b>	23,861		23,861	52,662		52,662
Other operating income	281		<b>281</b>	220		220	415		415
Staff costs	(19,931)		<b>(19,931)</b>	(13,465)		(13,465)	(30,137)		(30,137)
Depreciation and amortisation charges	(1,076)	(934)	<b>(2,010)</b>	(645)	(577)	(1,222)	(1,473)	(1,369)	(2,842)
Impairment of trade receivables and contract assets	(93)		<b>(93)</b>	(196)		(196)	(439)		(439)
Other operating charges	(5,954)	1,033	<b>(4,921)</b>	(5,252)	687	(4,565)	(11,164)	1,560	(9,604)
Non-underlying costs	(1,848)		<b>(1,848)</b>	(643)		(643)	(1,847)		(1,847)
<b>Operating profit</b>	3,356	99	<b>3,455</b>	3,880	110	3,990	8,017	191	8,208
Finance costs	(313)	(329)	<b>(642)</b>	(509)	(268)	(777)	(2,776)	(575)	(3,351)
Non-recurring finance costs	(24)		<b>(24)</b>	(1,924)		(1,924)			-
<b>Profit before tax</b>	3,019	(230)	<b>2,789</b>	1,447	(158)	1,289	5,241	(384)	4,857
Taxation	(602)	73	<b>(675)</b>	(337)		(337)	(1,240)		(1,240)
<b>Profit and total comprehensive income for the year attributable to equity owners of the parent</b>	2,417	(303)	<b>2,114</b>	1,110	(158)	952	4,001	(384)	3,617
<b>Basic EPS</b>	3.30		<b>2.88</b>	1.71		1.47	5.84		5.28
<b>Underlying earnings per share</b>	6.37		<b>5.95</b>	5.48		5.24	11.88		11.32
<b>Underlying Profit Before Tax</b>	5,483		<b>5,253</b>	4,379		4,221	9,819		9,435

# IFRS 16 Reconciliation of Financial Position

	IAS 17 Oct-2019 £'000	Change £'000	Reported IFRS 16 Oct-2019 £'000	IAS 17 Oct-2018 £'000	Change £'000	Restated IFRS 16 Oct-2018 £'000	IAS 17 Apr-2019 £'000	Change £'000	Restated IFRS 16 Apr-2019 £'000
<b>Assets</b>									
<b>Non-current assets</b>									
Intangible assets & goodwill	45,841		<b>45,841</b>	37,283		37,283	46,444		46,444
Right of use		19,725	<b>19,725</b>		15,678	15,678		19,179	19,179
Property, plant and equipment	4,207		<b>4,207</b>	2,816		2,816	3,319		3,319
	50,048	19,725	<b>69,773</b>	40,099	15,678	55,777	49,763	19,179	68,942
<b>Current assets</b>									
Contract assets	13,007		<b>13,007</b>	9,463		9,463	11,112		11,112
Trade and other receivables	14,029	(128)	<b>13,901</b>	10,147		10,147	13,671		13,671
Cash and cash equivalents	4,816		<b>4,816</b>	5,487		5,487	4,904		4,904
Corporation tax	421	(73)	<b>348</b>						
	32,273	(201)	<b>32,072</b>	25,097		25,097	29,687		29,687
<b>Total assets</b>	82,321	19,524	<b>101,845</b>	65,196	15,678	80,874	79,450	19,179	98,629
<b>Equity and liabilities</b>									
<b>Equity</b>									
Share capital	147		<b>147</b>	144		144	147		147
Share premium	32,487		<b>32,487</b>	29,739		29,739	32,486		32,486
Merger reserve	(3,536)		<b>(3,536)</b>	(3,536)		(3,536)	(3,536)		(3,536)
Retained earnings	12,052	1,755	<b>13,807</b>	7,432	558	7,990	10,158	149	10,307
Equity attributable to owners of the parent	41,150	1,755	<b>42,905</b>	33,779	558	34,337	39,255	149	39,404
<b>Non-current liabilities</b>									
Finance lease > 1 year		17,016	<b>17,016</b>		15,102	15,102		18,447	18,447
Borrowings	21,900		<b>21,900</b>	15,000		15,000	19,000		19,000
Deferred consideration >1yr				1,536		1,536	1,611		1,611
Deferred tax	3,301	(287)	<b>3,014</b>	2,392		2,392	3,488		3,488
	25,201	16,729	<b>41,930</b>	18,928	15,102	34,030	24,099	18,447	42,546
<b>Current liabilities</b>									
Finance lease < 1 year		2,799	<b>2,799</b>		1,041	1,041		1,512	1,512
Trade and other payables	12,876	(1,759)	<b>11,117</b>	9,205	(1,023)	8,182	12,105	(928)	11,177
Deferred consideration <1yr	1,652		<b>1,652</b>	2,350		2,350	1,628		1,628
Contract liabilities	168		<b>168</b>	139		139	120		120
Corporation tax liability				407		407	796		796
Provisions	1,274		<b>1,274</b>	388		388	1,447		1,447
	15,970	1,040	<b>17,010</b>	12,489	18	12,507	16,096	584	16,680
<b>Total liabilities</b>	41,171	17,769	<b>58,940</b>	31,417	15,120	46,537	40,195	19,031	59,226
<b>Total equity and liabilities</b>	82,321	19,524	<b>101,845</b>	65,196	15,678	80,874	79,450	19,179	98,629