

Forward thinking.
Straight talking.

Interim Results
Six Months Ended
31 October 2019

Presentation team



Neil Smith FCCA
Finance Director

- 14 years audit experience with Grant Thornton
- Joined Gateley in 2008
- Became Finance Director in 2011
- First non-lawyer owner of Gateley following change to ABS status
- Part of Management team through opening of Manchester, Leeds, Reading, Belfast and Guildford offices
- IPO Finance Lead
- Member of LSE Midlands Regional Advisory Group



Michael Ward
CEO

- Instrumental in the development of Gateley
- Joined Gateley in 1987
- Elected Senior Partner in 2001
- Over 30 years' experience as a corporate lawyer, advising private and public companies, private investors and management teams
- Formerly President and Treasurer of the Birmingham Law Society
- Former President of Greater Birmingham Chamber of Commerce

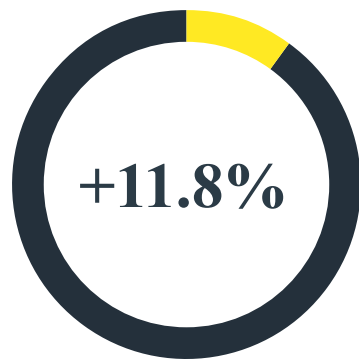


Nick Smith
Acquisitions Director

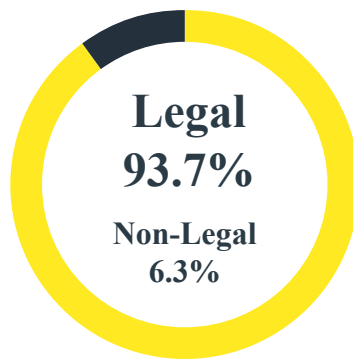
- Over 25 years' experience in national and international corporate finance, capital markets, private equity and M&A
- Formerly co-head of Nomura's Integrated Finance Group, a principal finance business focussed on asset-backed deals across Western, Central & Eastern Europe

Financial highlights

Group revenue
increased



Group revenue
Mix



Revenue
growth



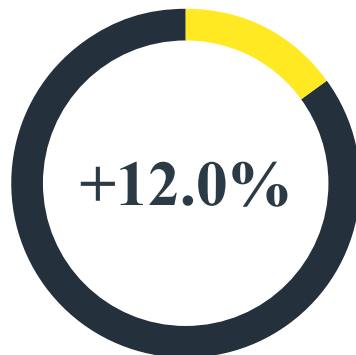
Basic EPS
increased



PBT
increased



PAT
increased



H1 20
dividend increased



Net debt
decreased



H1 20 – Operational highlights

- Activity outlook encouraging post General Election
- Completed two more acquisitions with Persona Associates in July and T-three in December
- Re-launched our brand in July – Forward thinking, Straight talking
- Named UK Law firm of the year at the British Legal Awards in November – host of other wins and shortlists
- New business wins across the Group:



- Number of panel reappointments including Taylor Wimpey

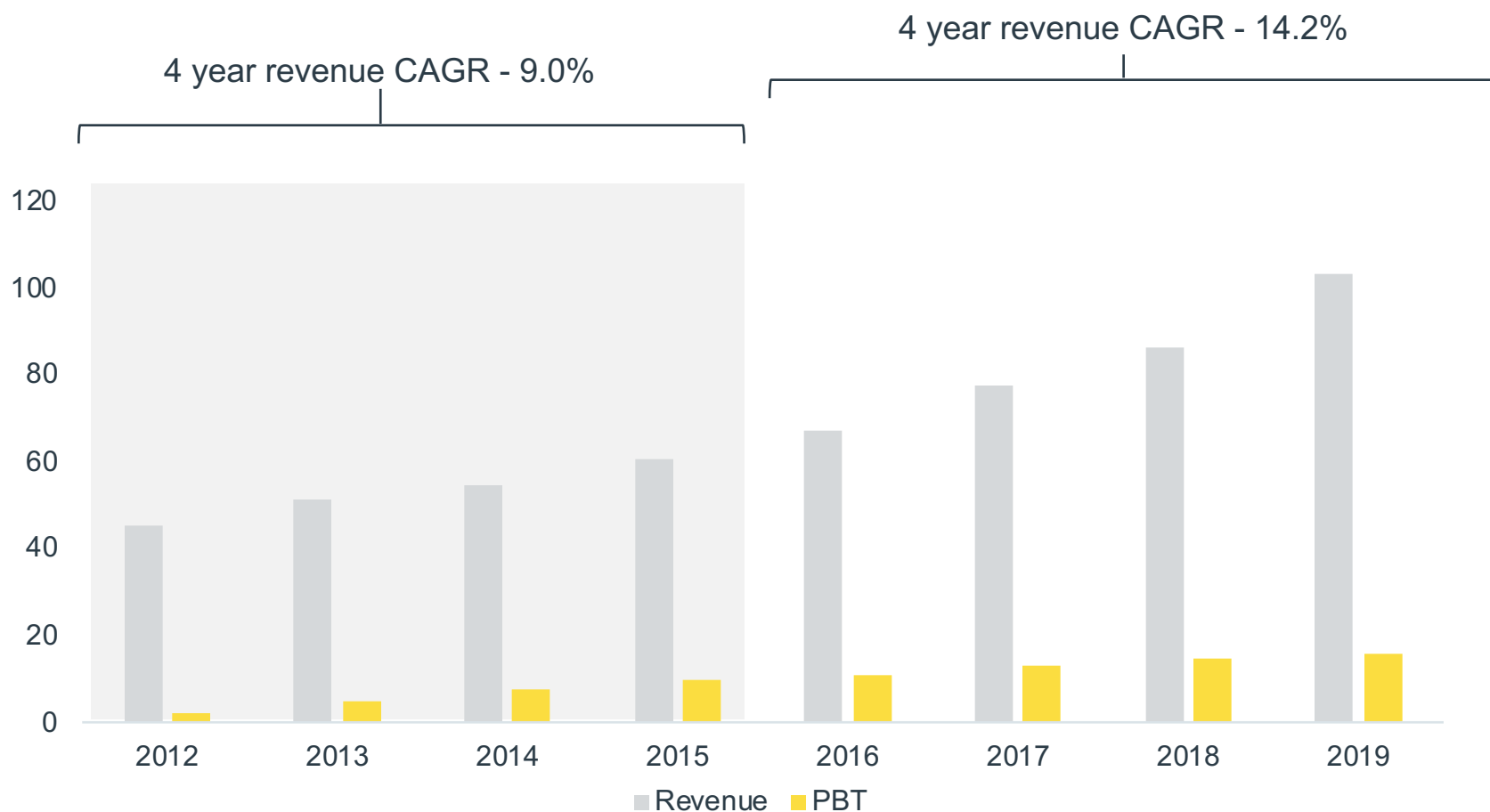
Strategic overview

- Integrated 7 acquisitions since IPO – latest being T-three
- Strong organic growth
- Acquisition pipeline remains active
- Orderly Market Agreement – 95% signed
- New LTIPs scheme approved – first issue Jan 2020
- Succession plan progression

Financial Review

Enhanced profitable growth

Revenue and PBT growth (£m)



H1 20 highlights

Strong revenue:

- Up 11.8% to £51.8m
 - Legal £48.6m (93.7%)
 - Non-legal £3.2m (6.3%)
- } 20% target of non-legal revenue
- FY19 Top 10 clients represented 15.2% (FY18 - 17.8%) of revenue
 - FY19 Annually largest client represented <3.0% revenue

Strong trading profit:

- PBT increase 10.2% to £5.5m
- Basic EPS in line with PBT growth
- Interim dividend in line with PAT growth

	H1 20	H1 19	GROWTH
Revenue	£51.8m	£46.4m	+11.8%
Profit before tax	£5.5m	£5.0m	+10.2%
Profit after tax	£4.4m	£3.9m	+12.0%
Basic EPS	3.92p	3.56p	+10.1%
Interim dividend per share	2.90p	2.60p	+11.5%

Segmental analysis

Sustainable growth through macro economic resilience due to well balanced service lines

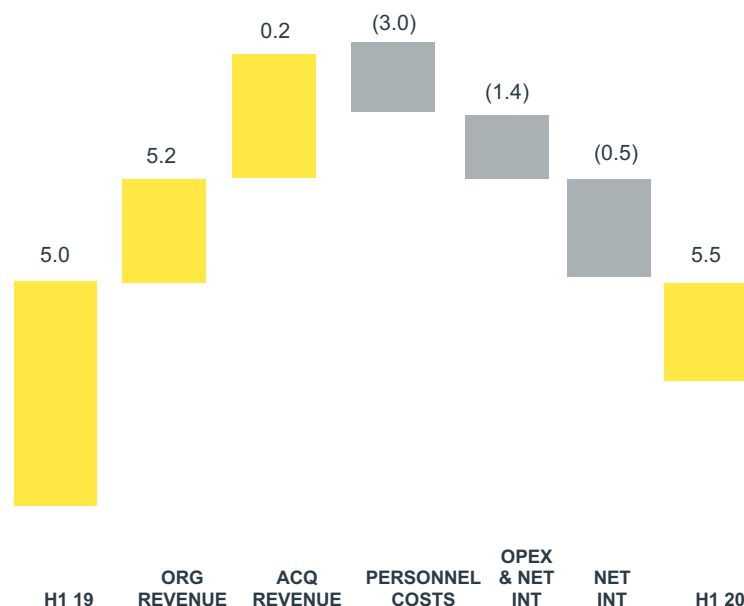
	H1 20	2019	Increase	Drivers for growth
Banking and Financial Services	£8.1m	£8.4m	(3.6%)	<ul style="list-style-type: none"> • Challenger bank work grows • Restructuring expertise across surety and insolvency disciplines quieter compared to H1 19 • Insolvency litigation results timing 2nd half weighted
Corporate	£10.5m	£7.3m	43.8%	<ul style="list-style-type: none"> • Leading deal volume teams nationally specialising in PE/M&A • London Private Wealth team started well
Business Services	£6.5m	£6.0m	8.3%	<ul style="list-style-type: none"> • Expansion of commercial legal teams across larger national accounts • Regulatory team growth • Corporate litigation steady solid performer
Employment, Pensions and Benefits	£6.2m	£4.8m	24.2%	<ul style="list-style-type: none"> • Organic growth in Employment, Human capital and Immigration work types healthy • IIS expanding DIT work • Pension DBS leads increasing • Full 6 months of Kiddy 10% of group growth
Property	£19.8m	£19.5m	1.5%	<ul style="list-style-type: none"> • Long term land projects (Housebuilding) • Property developments (logistics and industrial warehousing) • National infrastructure and land owner activity increases from planning to business lease • Persona acquired in period

PBT growth bridge

PBT increase of 10.2%

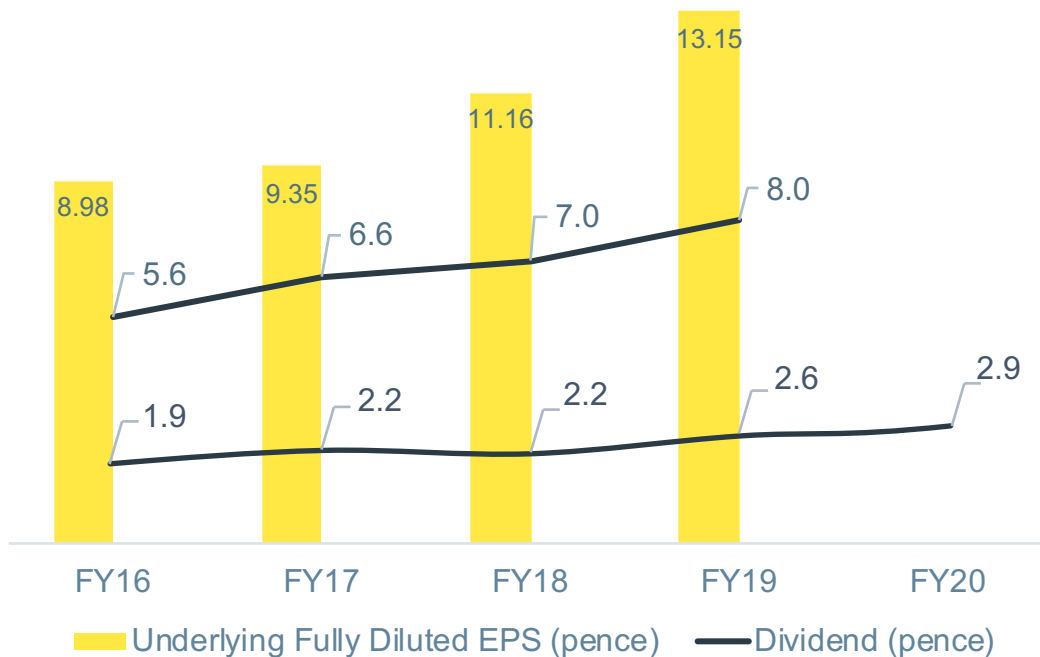
- Average headcount growth 15.2%
 - 120 legal (5 new lateral hire partners)
 - 12 non-legal
- Opex cost increase
 - £0.9m organic growth and investment
 - £0.5m from full period costs of Kiddy and Persona
 - Net interest decrease due to IFRS 16
- Increase 0.15% reduction in PBT margin to 10.70% (HY 19 10.85%)

PBT BRIDGE (£m)



Driving EPS growth and increasing dividend

- PAT up 12.0%
- Dividend up 11.5%
- Dividend tracking with PAT
- Ex-div Feb 20, payment Mar 20



Strong cash generation and reduced net debt

Strong cash generation:

- 98% net cash to PAT cash conversion – excluding impact of IFRS 16 adjustments
- Lower H1 20 acquisition outflow
- Continued net debt clearance

Net debt:

	H1 20	H1 19
Cash at bank	£2.4m	(£0.4m)
Debt	(£4.5m)	(£7.8m)
Total Net Debt	(£2.1m)	(£8.2m)

Summary cash flow £m

	H1 20	H1 19
PAT	4.4	3.9
Depreciation and amortisation	2.8	1.2
Change in working capital	0.6	0.6
Change in net interest accrued	0.4	(0.1)
Increase in provisions and deferred tax	(0.2)	0.2
Cash generated by operations (pre tax)	8.0	5.8
Tax paid	(1.7)	(1.5)
Net cash generated by operating activities	6.3	4.3
Net capex	(0.6)	(0.6)
Free cashflow	5.7	3.7
Acquisitions	(0.3)	(2.7)
Financing activities	(5.9)	(5.7)
Net cash decrease in cash	(0.5)	(4.7)

Robust balance sheet

Non-current assets:

Kiddy and Persona acquisitions increase goodwill and other intangibles

Working capital:

9 day reduction in debtor days

WIP recognised - 11.2% of revenue

Liabilities current and non-current:

£6.1m reduction in net debt

Increase in deferred consideration – Kiddy

Reduction in SARs tax liability timing

Net impact of IFRS 16 on balance sheet

Summary balance sheet £m

	H1 20	H1 19
Goodwill & other intangibles	10.7	9.5
Property plant and equipment	2.6	2.5
Non-current assets	13.3	12.0
Trade & other receivables	45.9	43.5
Trade and other payables	(20.2)	(20.1)
Working capital	25.7	23.4
Net debt	(2.1)	(8.2)
Deferred consideration	(1.7)	(1.1)
Tax liabilities & provisions	(1.0)	(2.3)
Other liabilities	(0.5)	(0.7)
Net IFRS 16 assets and liabilities	(2.7)	-
Liabilities	(8.0)	(12.3)
Net assets	31.0	23.1

Financial summary

- Gateley half year result
 - Good momentum from FY19 into H1 20
 - Well balanced revenue streams
 - Significant staff investment managed well
 - Good organic growth
- Strong revenue and profits = EPS Growth, during period of share award allocation
- Dividend enhanced in line with PAT growth
- Strong cash generation
- Significant net debt improvement
- Robust balance sheet

Acquisitions update

Strong acquisition pipeline

- In the past twelve months multiple discussions under all five groups
- Our focus remains:
 - Strength of business line fit (cross-selling potential and realistic new channel to market)
 - Strength of cultural fit (integration and sustainability)
 - Viability of transaction structure (commitment to delivery of long-term, profitable growth)
 - Financial stability (earnings-enhancing and scale of opportunity)
- No size restriction

Legal and professional services group connectivity

HR Directors

**Employment law,
Immigration and
Global Mobility
(Legal)**



Kiddy & Partners

Talent assessment



T-three

Talent development and
cultural change

Land Directors

**Residential
Development Unit
(Legal)**

Housebuilders



Gateley Hamer

Long-term infrastructure,
CPO, DCO



**Persona
Associates**

Land referencing

Clients of Gateley: non-legal businesses



Cross-selling legal and non-legal examples

- Moxa Hospitality and Leisure - joint work between Gateley Legal and Gateley Capitus with the legal Real Estate team advising on the £50m build and refurbishment of two hotels and Capitus handling the capital allowances work
- Dudley Interchange - Gateley Legal's planning team advising on the planning aspects of an £18m, world class multi-modal interchange facility for bus and metro services in Dudley. The legal team are working with Gateley Hamer who have been jointly appointed to advise on the Compulsory Purchase Order (CPO) elements of the project
- Chartered Insurance Institute - Gateley Legal's Employment team work with this professional body for the insurance sector. Kiddy & Partners are now also delivering a Leadership Team Effectiveness programme for them
- International Investment Services - Kiddy US Board facilitation programme and M&A due diligence for Australian acquisition in the UK
- Kiddy and T-three – early opportunities secured

Delivery since IPO

Delivering on IPO promises

***D**ifferentiate*

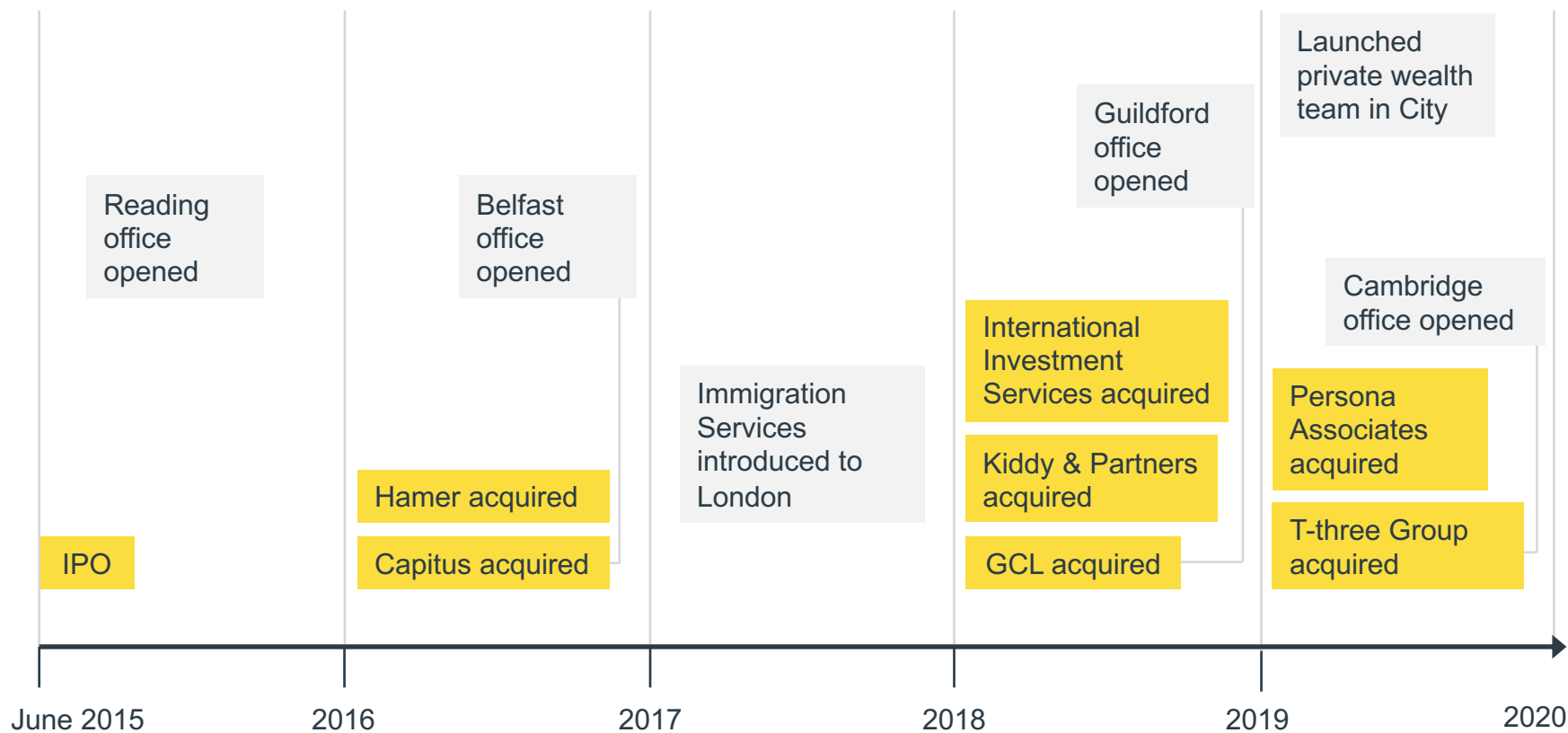
***D**iversify*

***I**ncentivise*

Our strategy at IPO was to DDI, almost 5 years on...

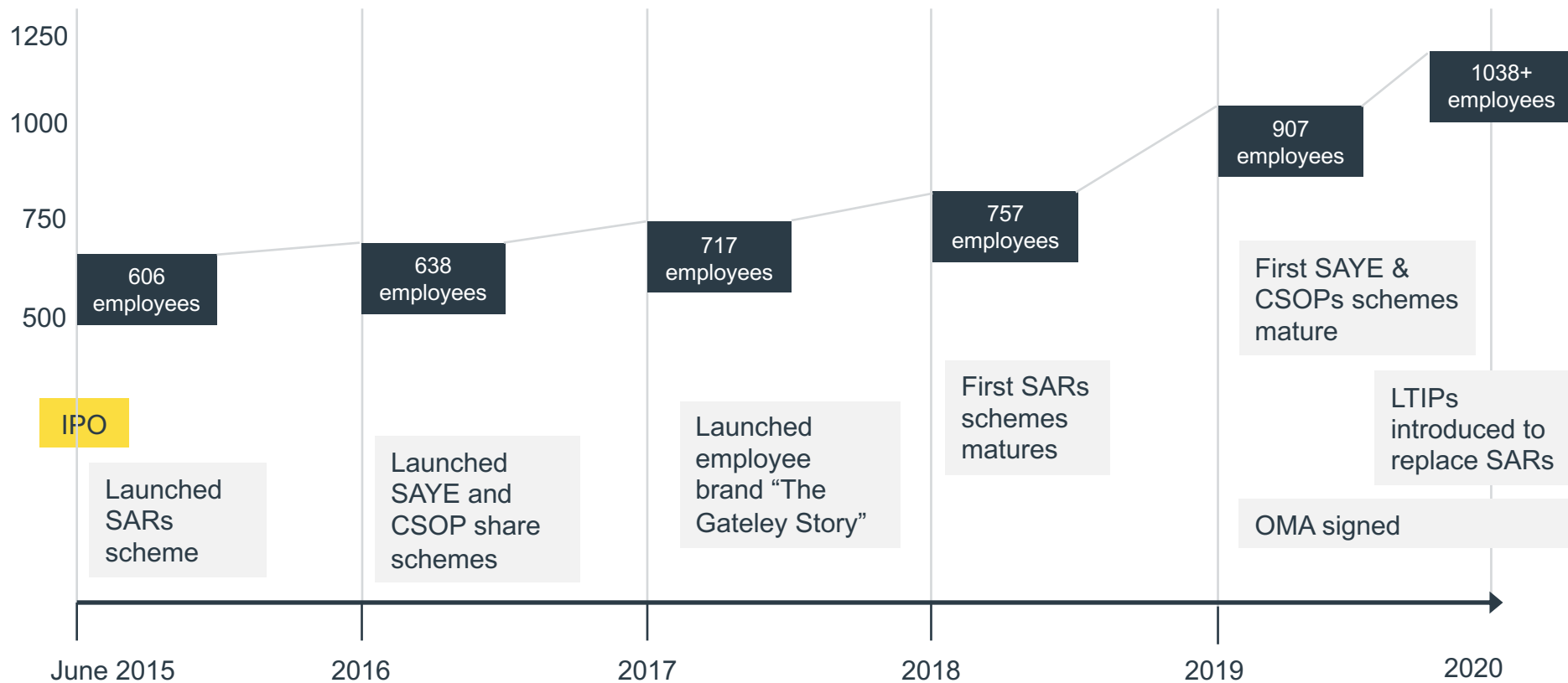
... we *DID*

*D*iversify



... and we *DID*

*I*ncentivise



... and we *DID*

*D*ifferentiate



Progress since IPO in 2015

- Fees increased 70% to 103.5m (FY19) from £60.9m (FY15) – CAGR 14.2%
- Continue strong profit growth
- Total staff increased from 606 to over 1,000 today
- Total dividends declared of 30.2p in total since IPO
- Share price growth from 95p at IPO to 211p*
- Free float at IPO increased from 30% to 45.9% creating wider institutional share register
- IPO £10m term debt cleared by June 2020

* At 13 Jan 2020

Outlook for the full year

- Into 5th year of strong growth since IPO
- People attraction/investment continues
- Client expansion/penetration continues
- Large long-term projects remain priority
- Further diversification via acquisitions
- Planning complete for succession
- New Orderly Market Agreement/LTIPs finalised
- Confident in delivering full year expectations

Questions

Appendices

Attraction of new legal partners

Post IPO

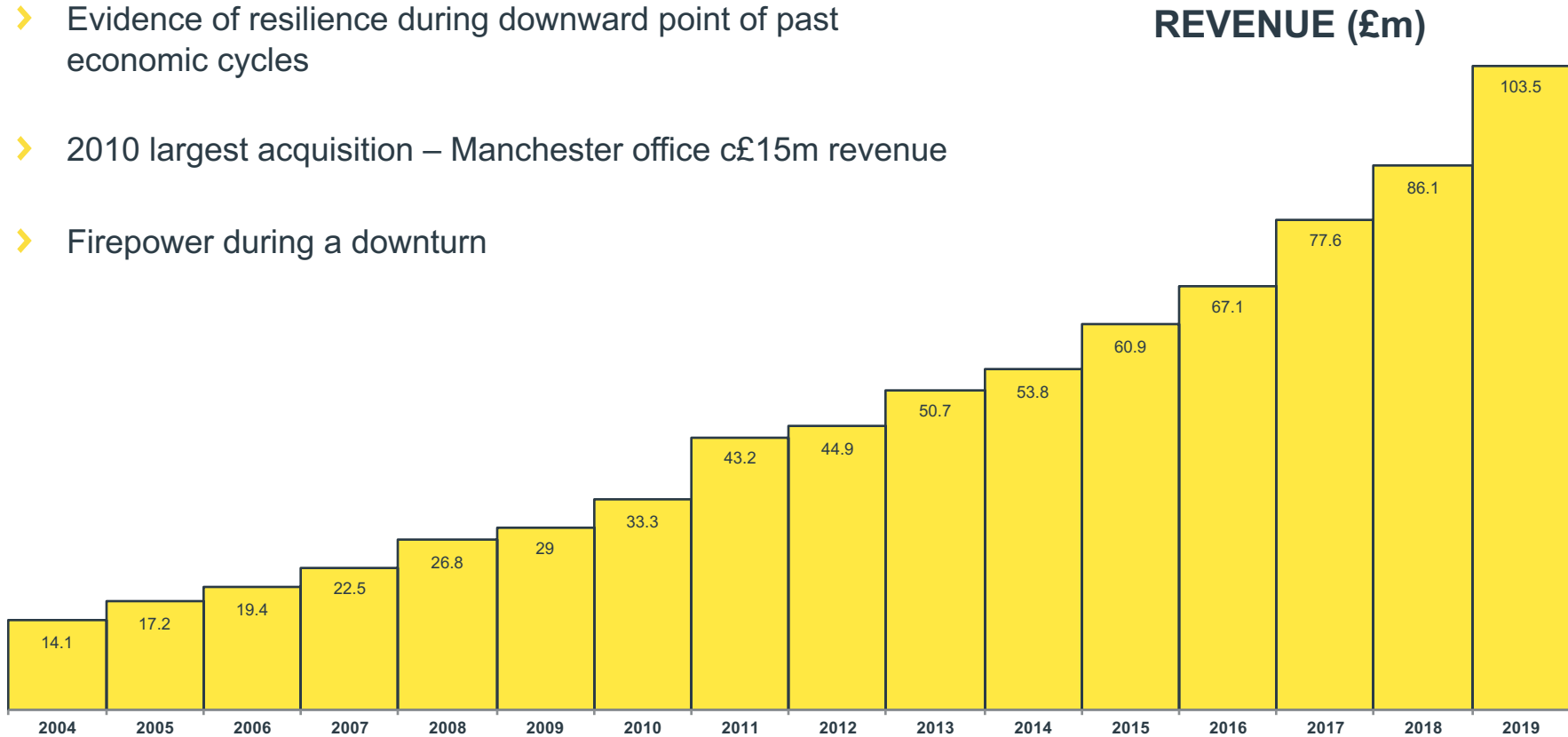
Pre IPO

	H1 19/20	18/19	17/18	16/17	15/16	14/15	13/14	12/13	11/12	10/11
Joiners	5	10*	9	8	13	3	4	2	4	1
Promotions	6	7	6	3	2	1	3	1	0	0
Leavers	(2)	(4)	(5)	(1)	(4)	(8)	(4)	(9)	(2)	(4)
Net	9	13	10	10	11	(4)	3	(6)	2	(3)

* Excludes 6 Partners acquired on acquisition of GCL Solicitors

Revenue growth through economic downturns

- Revenue growth every year since 1986 – 33 years +
- Evidence of resilience during downward point of past economic cycles
- 2010 largest acquisition – Manchester office c£15m revenue
- Firepower during a downturn



Acquisition history

- 7 completed to date typically 50:50 cash and shares
 - Capitus (acquired April 2016) - £2.9m
 - Hamer (acquired Sept 2016) - £2m
 - GCL (acquired May 2018) - £4.15m
 - Kiddy (acquired July 2018) – £1.8m + up to £1.2m deferred
 - International Investment Services (acquired Nov 2018) - £0.1m + up to £0.55m deferred
 - Persona Associates (acquired July 2019) - £0.39m + up to £0.06m deferred
 - T-three (acquired Dec 2019) - £3.2m + up to £0.9m deferred
- All acquired around 5 x EBITDA and on 50/50 cash and shares basis
- All well-integrated into the Gateley group
- All earnings enhancing to Gateley group results

Drivers for growth

Sustainable
growth strategy

Strong acquisition
pipeline

Greater cross-selling -
Gateley/Hamer/Capitus/Kiddy
wins
International Investment Services
success
Geographical leverage

Continued headcount growth – people
want to work for Gateley

Technology
investments

Further
diversification

Increase profit margins
Further improve working
capital

Market opportunities

Corporate activity

- Most active national M&A legal advisor for deal volume by Experian Market IQ in their Q2 2019 league table
- Private Wealth team created in London

Housebuilding activity

“Output continued to rise, and we have now seen an unprecedented 78% increase in housing supply in the past 5 years; unlike the second hand market, new homes sales generally remain robust, despite the wider political and economic uncertainty; and planning permissions rose to record levels, suggesting further increases in future supply.” – Home Builders Federation May 2019

Logistics and industrial warehousing real estate activity

- Last 18 months we have acted on investment sales in this sector of £1BN
- Currently act for developers who together have active sites with planning and in development phase of circa 15 - 20M sq. ft. On an average basis that is about half the annual UK take up of new units over 100,000 sq. ft
- Act for developers and funds that have an active pipeline of large new sites coming forward

Restructuring and litigation activity

- Fraud and insolvency practitioner litigation continues from within and into the UK
- Shareholder dispute activity

Human capital / Employment

- Kiddy/T-three people assessment and development opportunities
- Employment consultancy and legal advice including immigration

OMA and LTIP key aspects

OMA

- Current Lock-In Agreement expires June 2020
- New Orderly Market Agreement to be effective for a 5 year period commencing June 2020
- IPO partners' annual sales capped at 10% of shares acquired at IPO
- All partners subject to minimum capital investment so long as employed by the company

LTIP

- Replaces SARS
- 3 year vesting period
- Hurdle-compounded annual growth rate in Fully Diluted EPS
 - below 5% growth – 0% of award vests
 - 5% growth – 25% of award vests
 - 5-10% growth – straight-line vesting
 - 10% (and above) – 100% vesting

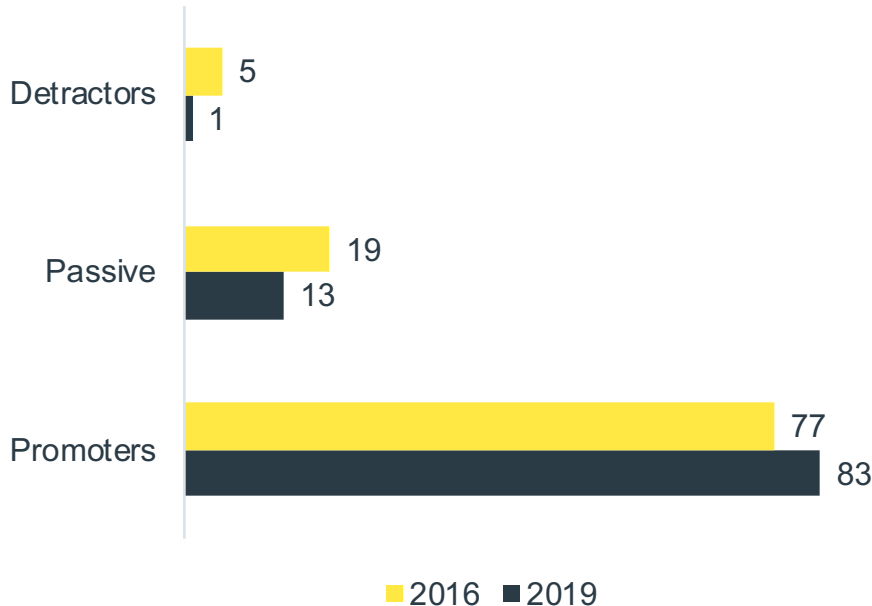
Net Promoter Score

Clients were asked how likely they would be to recommend Gateley to peers and colleagues.

Clients were asked to provide a rating on a scale from zero to 10, with zero equating to not being at all likely to recommend through to 10 being very likely to recommend.



$$\text{Net Promoter Score} = \% \text{ Promoters} - \% \text{ Detractors}$$



+ 72 NPS 2016

+ 68 NPS 2019

Recognition

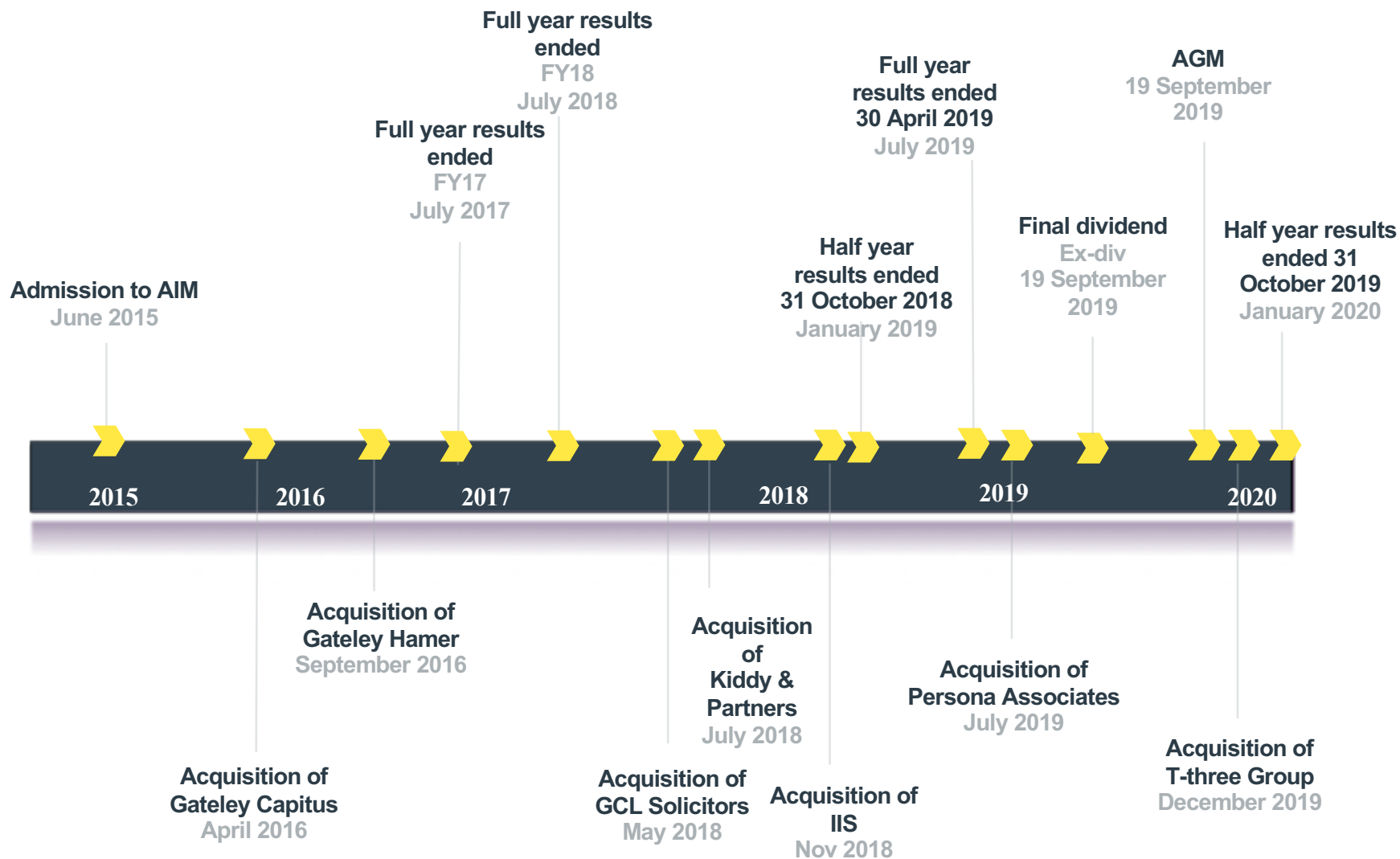
2019 award wins

- November: UK Law Firm of the Year – British Legal Awards (Legal Week)
- November: Deal of the Year – Yorkshire Insider Dealmakers Awards
- November: Top Asset Finance Litigation Lawyers – Leasing World Awards
- September: Corporate Law Firm of the Year – Midlands Insider Dealmakers Awards
- May: Corporate Law Firm of the Year and Deal of the Year - East Midlands Insider Dealmaker Awards.
- April: Young Dealmaker of the Year (Sarah Souter, Reading) – Thames Valley Deal Awards

2019 shortlists

- November: Community Award; Deal of the Year £25m+; Deal of the Year £5-25m – Yorkshire Insider Dealmakers Awards
- August: Corporate Law Firm of the Year; International Deal of the Year; Deal of the Year – North West Insider Dealmakers Awards
- July: Asian Legal Awards: Rising Star (finalist, Zum Mohammed)
- April 2019: Law Firm of the Year – Thames Valley Deal Awards
- April 2019: Property Law Firm of the Year - Thames Valley Property Awards

Financial calendar





gateleypkc.com