

Results for the six months to 31st October 2017

December 2017

Presentation team



Michael Ward
CEO

- Instrumental in the development of Gateley
- Joined Gateley in 1987
- Elected Senior Partner in 2001
- Over 25 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



Neil Smith
Finance Director

- Joined Gateley in 2008 from Grant Thornton
- Fellow of ACCA
- Over 20 years' experience working in the professional services industry
- Part of the management team at the time of Halliwells acquisition in 2010
- Became Finance Director in 2011
- First non-lawyer owner of Gateley in 2014



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 and Central & Eastern Europe

“A pioneering, law-led professional services group working together to deliver 100% client satisfaction by making the complex simple”

Agenda

Introduction and H1 18 Highlights

Financial Review

Market Environment & Acquisitions

Summary & Outlook

Introduction and H1 18

Highlights

Michael Ward



Our Plc strategy is the platform for continued long-term profitable growth:



Differentiate



Diversify



Incentivise

A stable, broad-based & resilient business



ESTABLISHED



A leading national commercial law and complementary professional services group

Growth achieved both organically and by acquisition

16 business lines + 4 complementary professional services
Gateley Capitus, Gateley Hamer, Entrust and Global Mobility

SCALE & DIVERSITY



450+ fee generating staff and 5,500 clients

We act for **18 of the top 20 housebuilders**

UK's most active Corporate legal adviser for H1 2017¹

4th most active adviser in **Europe**²

Geographic and sector diversity, no single client, sector or governmental dependency; downturn protection through counter-cyclical work-streams

FINANCIAL STRENGTH



Track record of **delivering profitable growth**

Pre IPO 14.3% Revenue, 14.8% Operating profit CAGR

Strong cash generation

Well balanced business with counter cyclical work streams

Strong and strengthening balance sheet, with **continued investment** in the business.

Performance to date in line with market expectations

OBJECTIVE

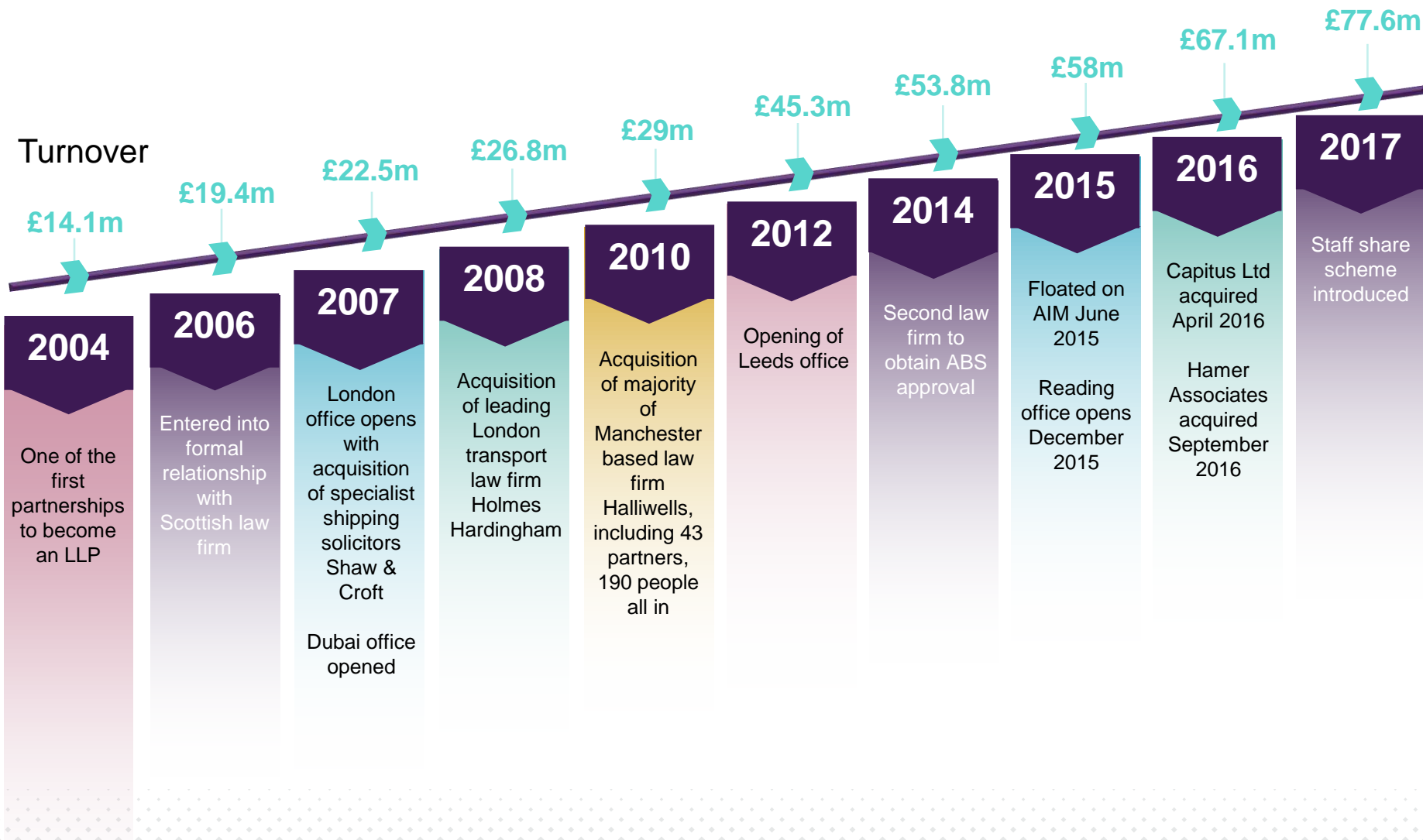


Maximise opportunities created by changing market dynamics

Accelerate growth; organically and by acquisition

Become one of the UK's **leading legal and allied professional services providers**

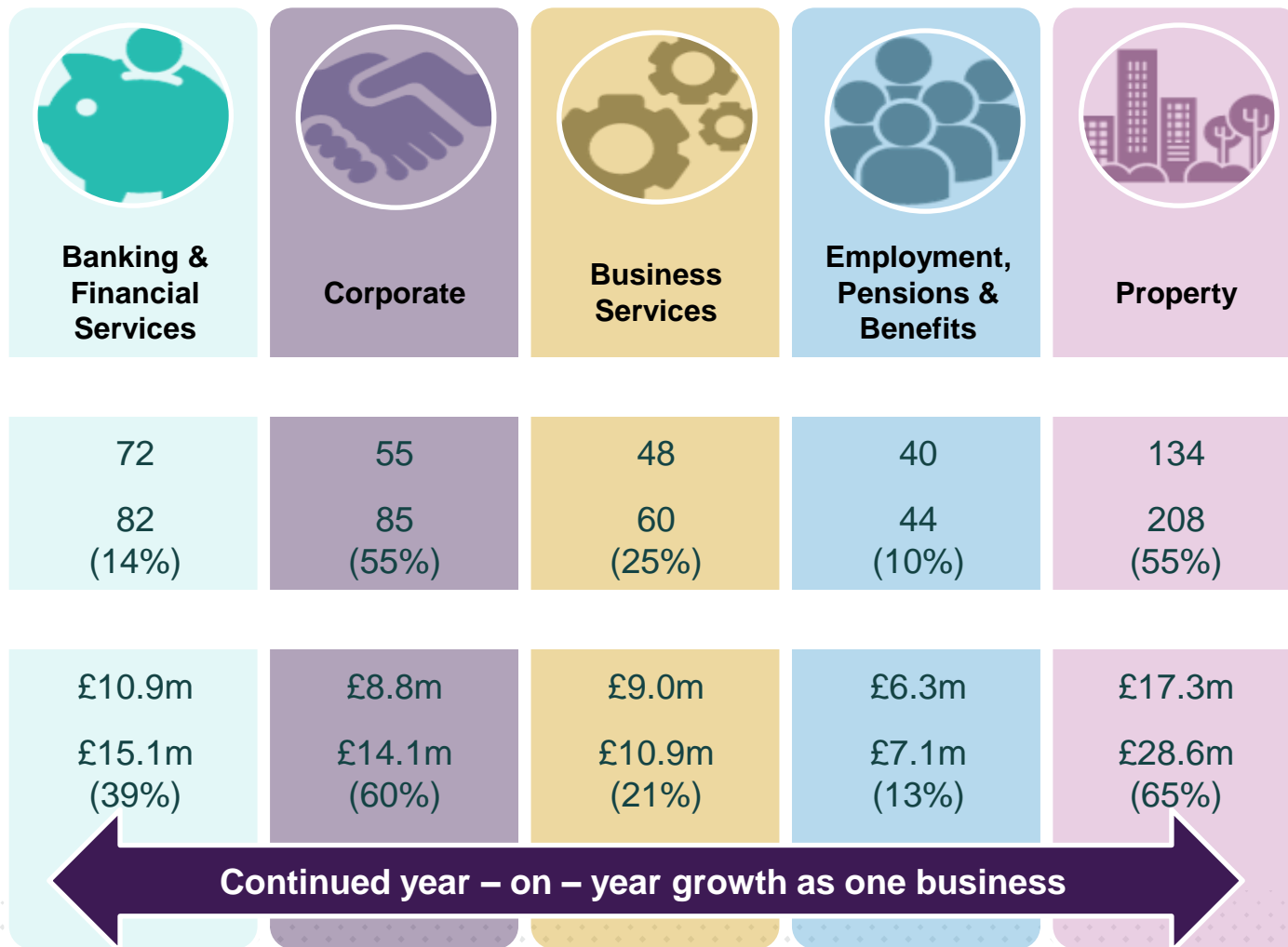
Evolution of Gateley



H1 18 Highlights

- Continued financial success and investment
- Investment opportunities
 - Further partner hires and promotions (FY 16 – 11, FY 17 – 10, H1 18 – 6 to date)
 - Global Mobility
- Successful Sept '17 free-float increase from 34.0% to 40.3%
- Enhancing our service offering
 - Tender activity
 - Enhancing our cross-selling
 - New BD Director
 - Reading
 - Dubai
 - Acquisitions

Continued investment since IPO



Financial Review

Neil Smith



Performance overview

Group revenue £38.6m (H1 17 £35.2m)
+9.8% (H1 17 18.9%)

Group EBITDA £5.3m (H1 17 £5m)
+6.3% (H1 17 11.1%)

Group EPS 3.1p (H1 17 3.1p)

Bank overdraft/
Net cash £(1.2)m (H1 17 £2.7m)

Dividend 2.2p (H1 17 2.2p)

Highlights

Strong Corporate, Banking and Financial Services growth, both +20%

Solid Property growth +10%

Employment service line returned to growth

Investment in staff costs (headcount up 6.4% from FY 17)

H1/H2 split in line with prior years

Operating costs in line with budget and last year

Margins within acceptable range

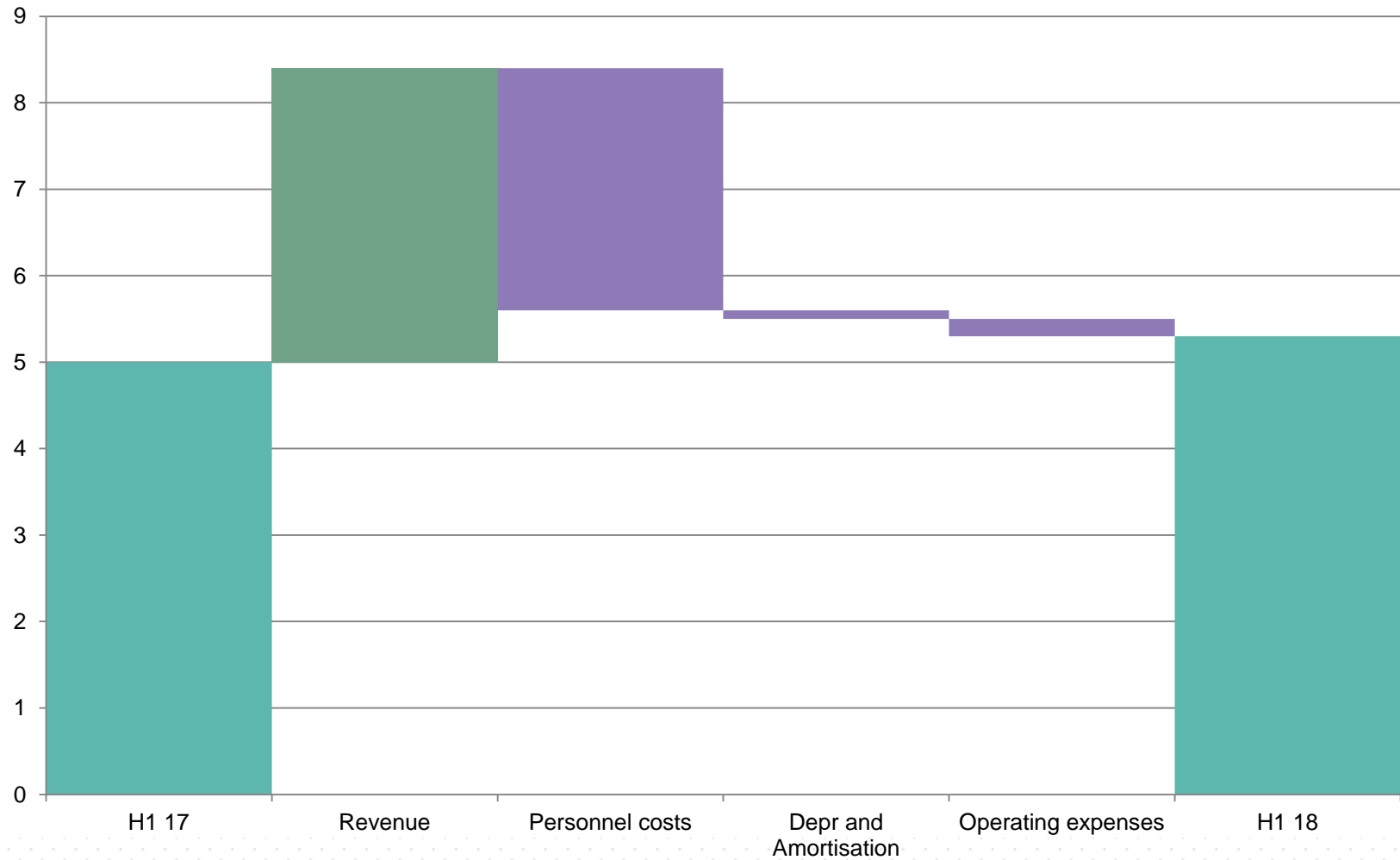
Utilisation strong against H1 17

- Hours up 2% to 85%
- Value of time added up 16%

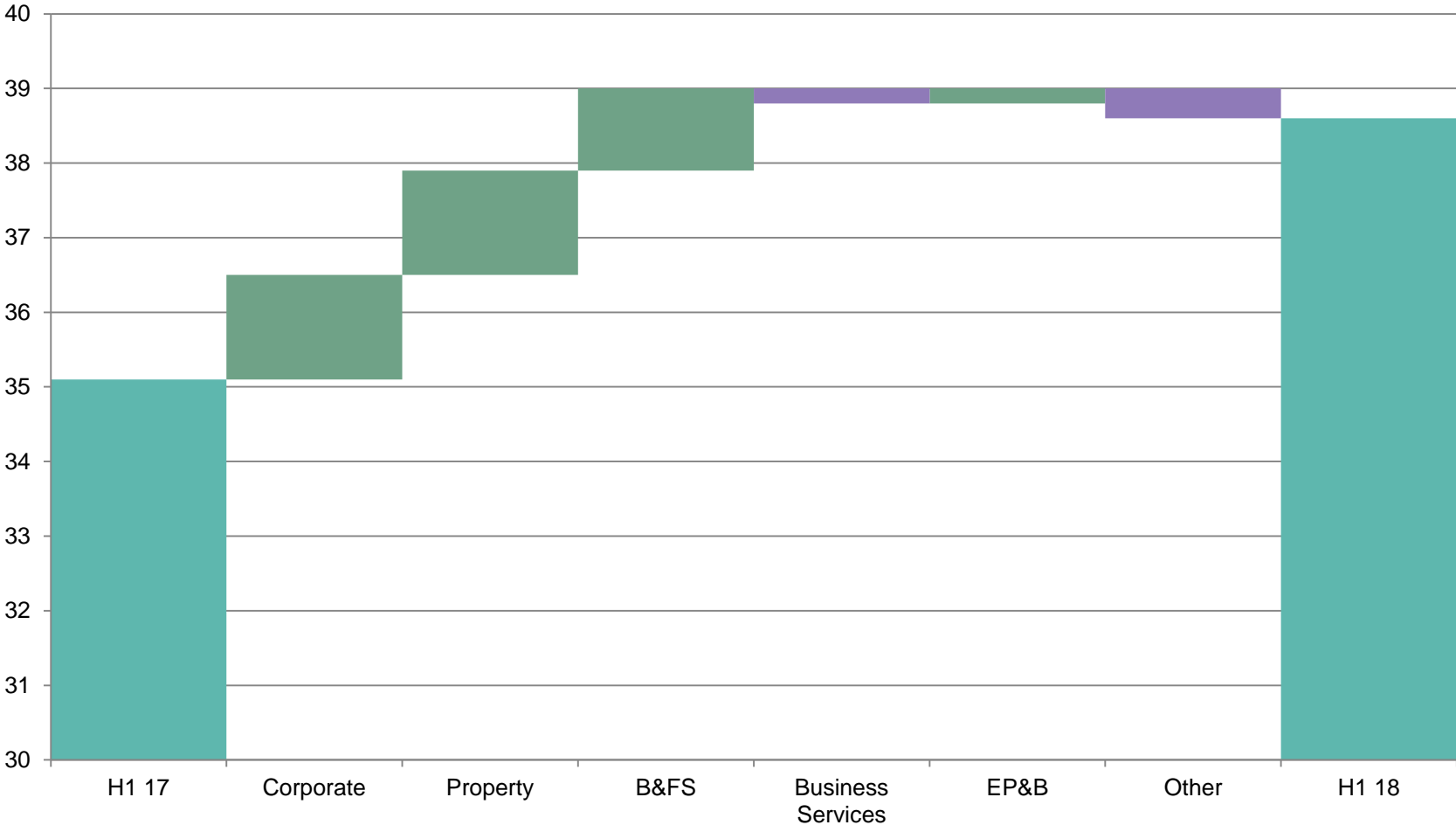
Consolidated income statement

Half year 31 October (unaudited)	H1 18 £m	H1 17 £m	Change %	FY 17 £m
Revenue	38.6	35.2	9.8%	77.6
Personnel costs	(24.1)	(21.3)	13.1%	(45.3)
Other operating costs (excluding non-underlying items but including other income)	(9.2)	(8.9)	3.4%	(17.4)
Total cost	(33.3)	(30.2)	10.3%	(62.6)
Adjusted EBITDA	5.3	5.0	6.3%	14.9
<i>Margin</i>	13.7%	14.2%		19.2%
Depreciation and amortisation	(0.7)	(0.6)		(1.3)
SBP and non underlying items	(0.2)	(0.1)		(0.3)
PBIT	4.4	4.3	2.3%	13.3
Interest	(0.1)	(0.1)		(0.2)
PBT	4.3	4.2	2.4%	13.1
Retained PAT	3.3	3.3	-	10.1
Basic EPS	3.10p	3.09p	-	9.43p
Proposed dividend per share	2.2p	2.2p	-	6.6p

Profit bridge £m



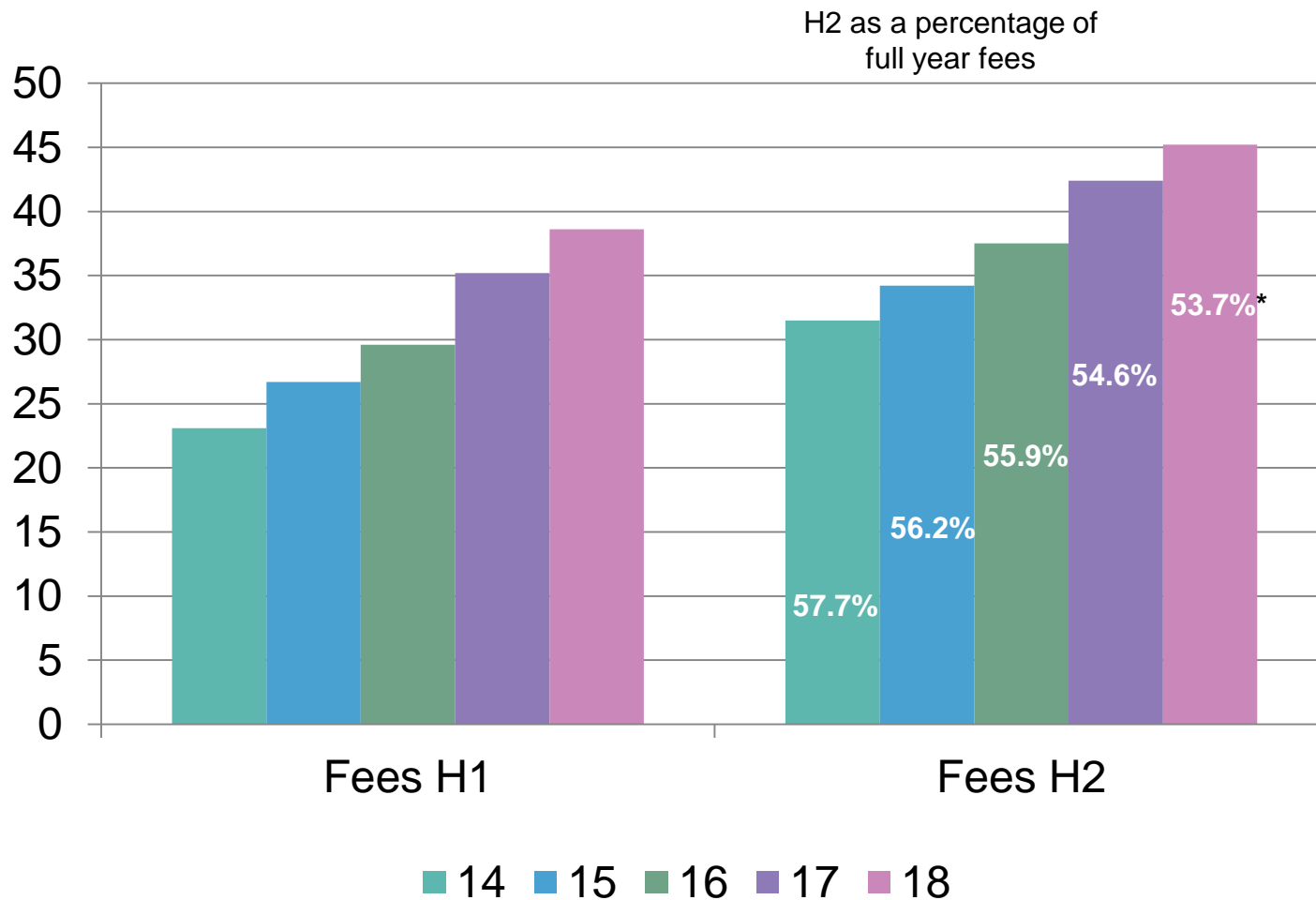
Revenue bridge £m



Group Fees £m

	Sales mix %	H1 18 (£m)	Sales mix %	H1 17 (£m)	H1 18 Growth %
BFS	17%	6.4	16%	5.3	21%
Corporate	20%	7.7	19%	6.3	22%
BS	14%	5.3	16%	5.5	-4%
EP&B	9%	3.6	10%	3.4	6%
Property	39%	14.9	40%	13.5	10%
		37.9		34.0	

H1/H2 Group Fees £m



Balance sheet

As at 31 October (unaudited)	H1 18 £m	H1 17 £m	FY 17 £m
Non-current assets*	5.9	6.4	6.2
Current assets	38.5	35.2	41.8
<i>Cash</i>	-	2.2	2.7
<i>Unbilled Revenue (WIP)</i>	10.9	10.5	10.5
<i>Trade receivables</i>	25.5	20.5	26.1
<i>Other Debtors</i>	2.1	2.0	2.5
Non-current liabilities (H1 18 - including bank overdraft £1.2m)	(4.6)	(7.6)	(5.6)
Current liabilities	(23.4)	(21.4)	(25.0)
Net Assets (before final dividends)	16.4	12.6	17.4

* Includes £3.6m (H1 17:£3.8m) intangible asset values remaining from the acquisitions of Gateley Capitus Limited & Gateley Hamer Limited

Market Environment & Acquisitions

Nick Smith



The Market – UK Law the stats

Average revenue growth	Top 10	2.5% (2016: 4.4%)
	11 – 25	2.3% (2016: 2.9%)
	26 – 50	3.7% (2016: 4.1%)
Movement in staff costs as a % of revenue	Top 10	1.8%
	11 – 25	1.9%
	26 – 50	0.2%
Profit margin (PEP)	Top 10	3.1%
	11 - 25	0.5%
	26 – 50	0.2%
Fee earner headcount	Top 10	5%
	11 – 25	5%
	26 – 50	1%
Support staff headcount	Top 10	3%
	11 – 25	1%
	26 – 50	6%

Gateley Plc

Average fee income growth	15.7% (2016: 10.2%)
Movement in staff costs as a % of revenue	0.6% (2016: -0.4%)
Fee earner headcount	7.6% (2016: 6.2%)
Support staff headcount	3.9% (2016: 3.1%)

- “we believe the pace of change *will* accelerate”
- “our message for this year is *time for change*”
- “given the need to... *retain* the best talent and to *invest* in technology, perhaps now is the best time for firms to move away from the full distribution model and retain more cash for reinvestment in the partnership”
- US firms/Accountants entering law
- Competition for talent
- Funding structures under pressure
- Impact of technology

Gateley is well positioned to face these challenges

The Market – Listed Law

Australia					
Slater & Gordon	2007	Consumer/PI	High: AUD 8.0 Low: AUD 0.04	UK operations sold	Quindell
Shine	2013	Consumer/PI	High: AUD 3.2 Low: AUD 0.61	Defending class action	Restated 2016 financials (wip)

London					
Fairpoint	2002	Consumer Law	High: 170.63p Low: 0.00p	Administration	Over-gearred
Gateley	2015	Commercial Law/Prof services	High: 195.5p Low: 95p	Trading in line with forecast	
Gordon Dadds	2017	Consumer/Commercial Law	High: 153p Low: 141p	Admitted Aug 2017	H1 18 t/o £13 million PBIT £0.58 million
Keystone	2017	Consumer/Commercial Law	High: 191p Low: 160p	Admitted Nov 2017	

Acquisition

A tailor-made team that provides the right depth and breadth of expertise to properly secure your investment target and negotiate all forms of legal agreements to acquire land and property.

Planning & development

Expertise on all areas of town and county planning, highways, environment, compulsory purchase and local government law in England and Wales.

Construction

All areas of construction law including building contracts, warranty documentation and advising on disputes when they arise, working closely with our commercial disputes team.

Asset management

We help to maximise opportunities with your real estate portfolio and our litigation team can find pragmatic solutions to any landlord and tenant issues that arise.

Funding

We work with the UK's major lenders, challenger banks and specialist funders to release funding for real estate development.

Disposal

Strategic advice on how best to set-up the property for sale, populate and manage online data rooms; assist with the bidding process and streamline the sale process.



Investment allowances

Gateley Capitus maximise the tax reliefs available for property transactions, asset management and construction projects.

Tax-efficient specification

Involving Gateley Capitus in refurbishment and construction projects at an early stage enables us to maximise tax efficiency by increasing the capital allowances available.

Compulsory purchase

Gateley Hamer's specialist surveyors assemble land by agreement and through compulsory purchase powers to manage cost and reduce risk to project delivery.

Utilities compensation

Gateley Hamer reviews the legal basis on which utility apparatus exists on development sites and negotiates a solution to pass on diversion costs to the utility company or obtain compensation for loss of development value.

Acquisitions update

Advising businesses at every stage of an asset's lifecycle

Our multi-disciplinary team of lawyers and surveyors provide advice throughout the lifecycle of a property asset; through investment, development, management and disposal; or a combination of these activities.

Summary & Outlook

Michael Ward



Plc status continues to raise our profile, creating opportunities

Further growth in a well-balanced and resilient business

Execution of strategic plan

- Deliver 100% client satisfaction
- Consider further lateral hire opportunities
- Continue to develop National offering
- Further integration and investment in complementary businesses

Strengthen our business by investing in and broadening out our service offering

Capitalise on strong position for second half of year

A stable, broad-based & resilient business

◆ Gateley Plc

Appendices

Gateley is well positioned to ride out any storm and to continue to win market share:

- A track record of profitable growth
- A clear plan, a quality offering, a strategic business
- Offering all the services mid-market clients are likely to need
- Gateley <1% of overall £30bn market
- Economic volatility promotes a need for legal advice (contract redrafting, changes in workforce, asset disposals, balance sheet restructuring etc.) and promotes litigation
- Gateley is a cost-effective solution when compared to leading City and international firms

- No EU referendum impact immediately visible in our business
- Our clients currently telling us the same
- Gateley has shown itself resilient for the last **10 years+** through good and more challenging times
- Moving to Plc created the platform for continued growth even anticipating, as we did, a continuing challenging environment

A stable, broad-based & resilient business

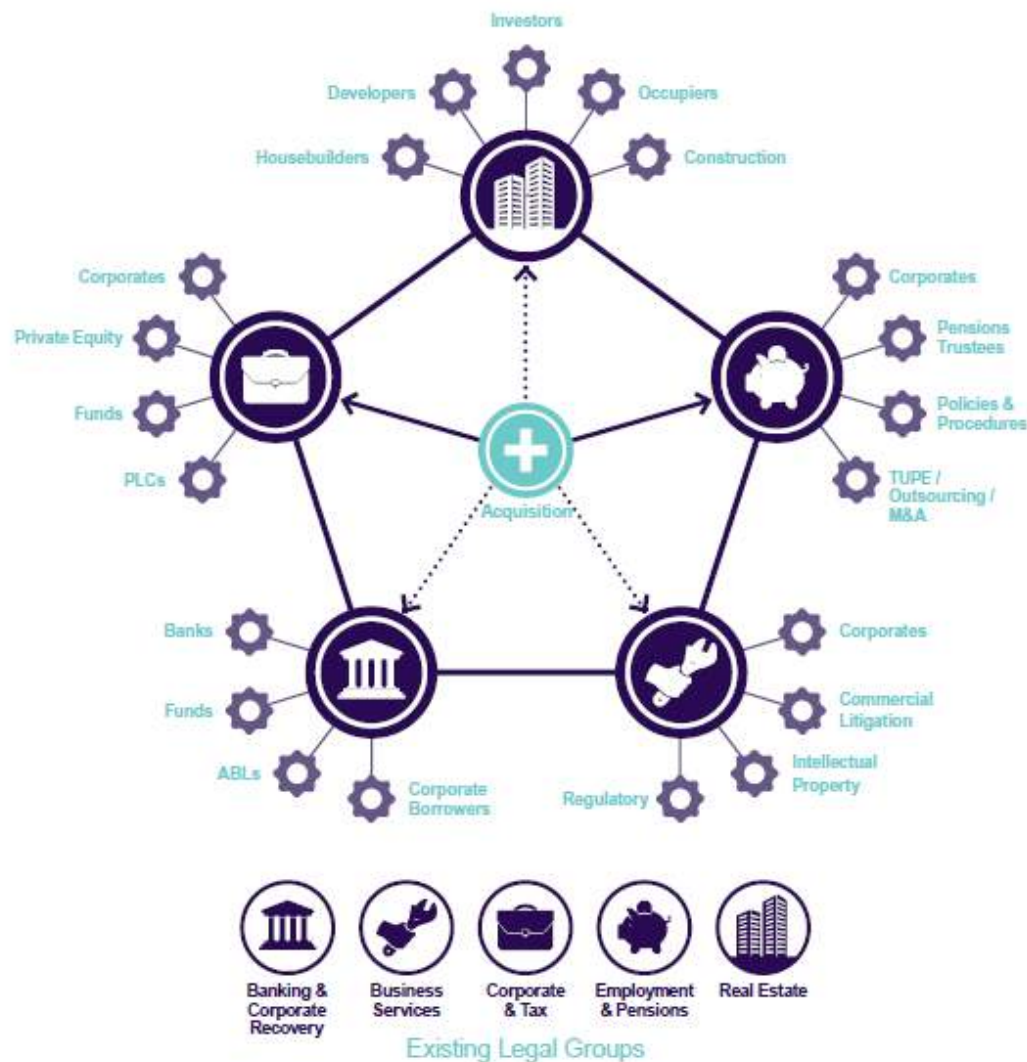
Broad-based, with no significant dependencies:

- No sector dependency
- No client dependency
- No legal discipline dependency
- No geographic dependency
- No London markets dependency
- No overseas capital commitments or FX exposure
- No governmental dependency
- Counter-cyclical work streams
- A mid-market focus, largely national
- An established, mature business in all but one of our trading locations
- A strong and loyal client base (98% of clients recommend us)

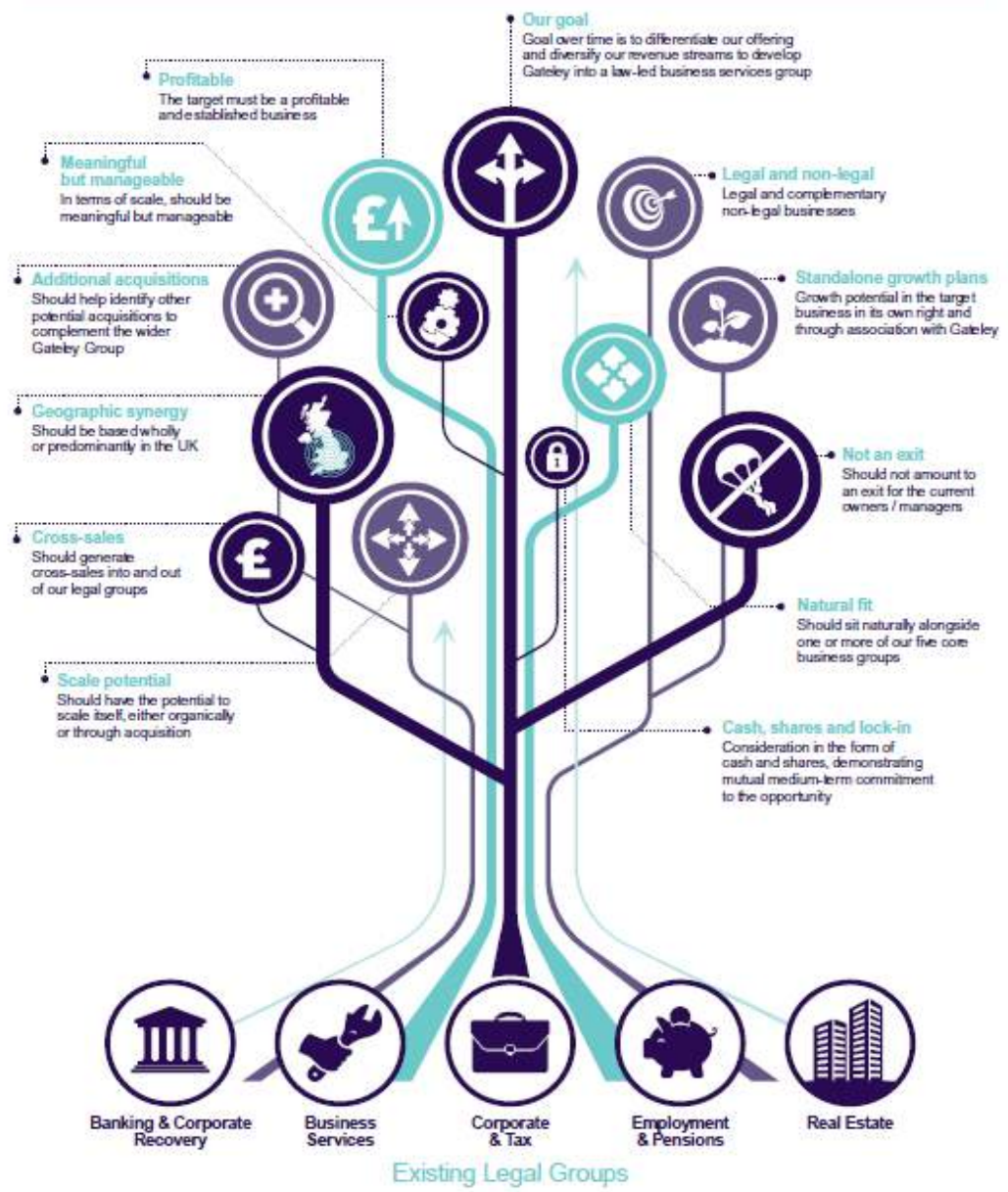
A stable, broad-based & resilient business

Collective Strength & Growth

Working together to generate sales into and out of Gateley's existing business



Collective Strength & Growth Acquisition Criteria



Gateley's core values are:



Collaborative

Our business is all about building and maintaining relationships and working in a collaborative way across our teams and offices and with our clients to achieve the right result.



Pioneering

Being the first commercial law firm to go public highlights our pioneering spirit, our subsequent acquisitions and introduction of share schemes that allow our staff to own a stake in the business are testament to our pioneering approach.



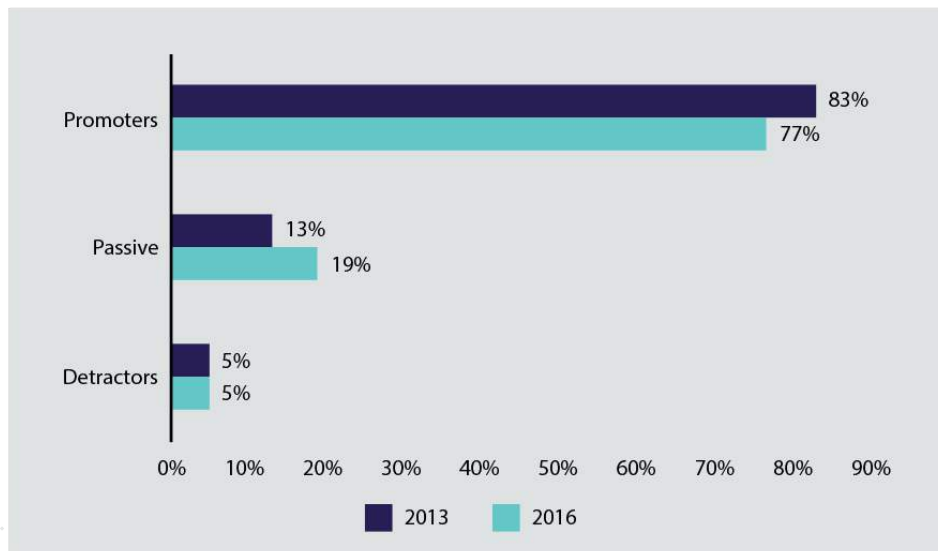
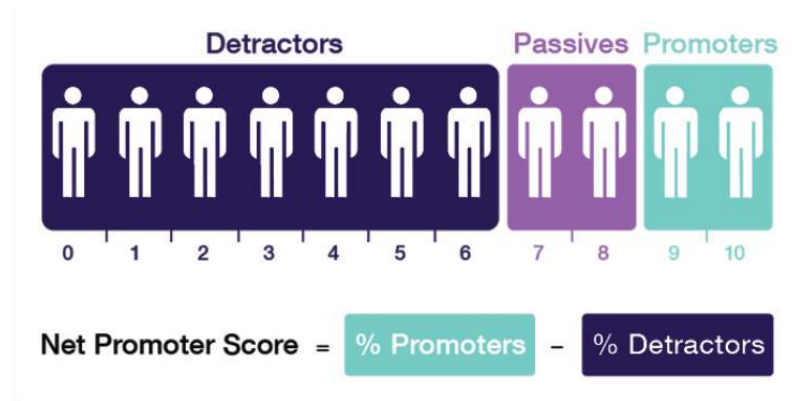
Straight-talking

We aren't afraid to tell it how it is but we always have the clients' best interests at heart. We are straight-talking because we need to be when we are looking after clients' businesses and matters as we would our own. Being pragmatic and knowledgeable but always acting with integrity are the main reasons clients come to us time and time again.

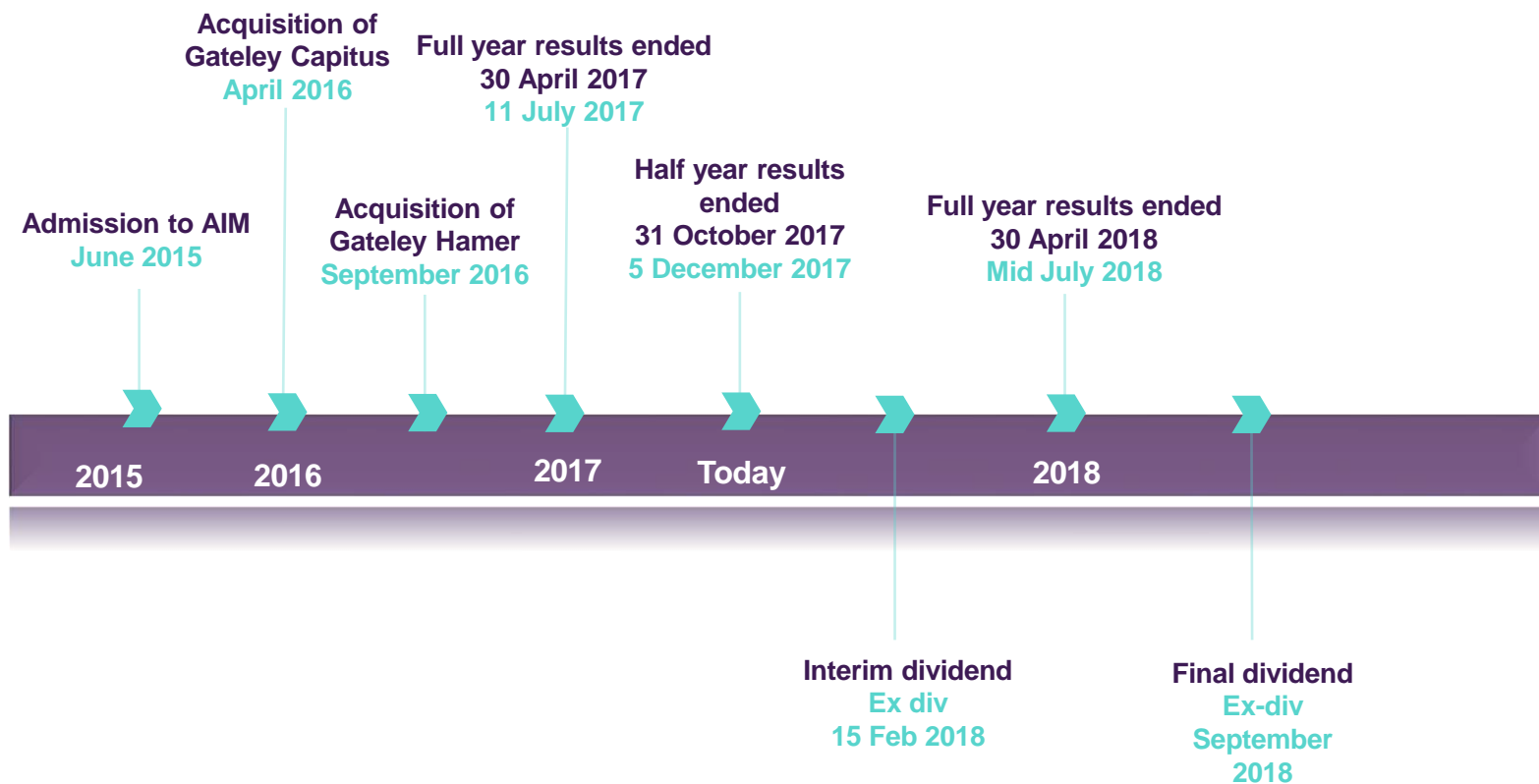
Net Promoter Score

Clients were asked how likely they would be to recommend Gateley Plc 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.



Financial calendar



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