



Full Year Results

July 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 managements 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”

- ◆ **Introduction and Highlights**
- ◆ **Financial Review**
- ◆ **Market Environment & Acquisitions**
- ◆ **Summary and Outlook**

Our strategy remains



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



Differentiate



Diversify



Incentivise

24 months post-Admission we remain the only full-service listed commercial law firm

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 + 3 complementary professional services
Gateley Capitus, Gateley Hamer and Entrust



SCALE & DIVERSITY

400+ fee generating staff and 5,500 clients

We act for 17 of the top 20 housebuilders

Currently **Ranked #1** for Corporate Deal Volume in the UK¹

7th 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 and post IPO

Strong cash generation

Counter cyclical work streams

Strong and strengthening balance sheet, with **continued investments** in the business. **Investing in the future**

Performance to date in line with market expectations



OBJECTIVE

Maximise opportunities created by changing market dynamics

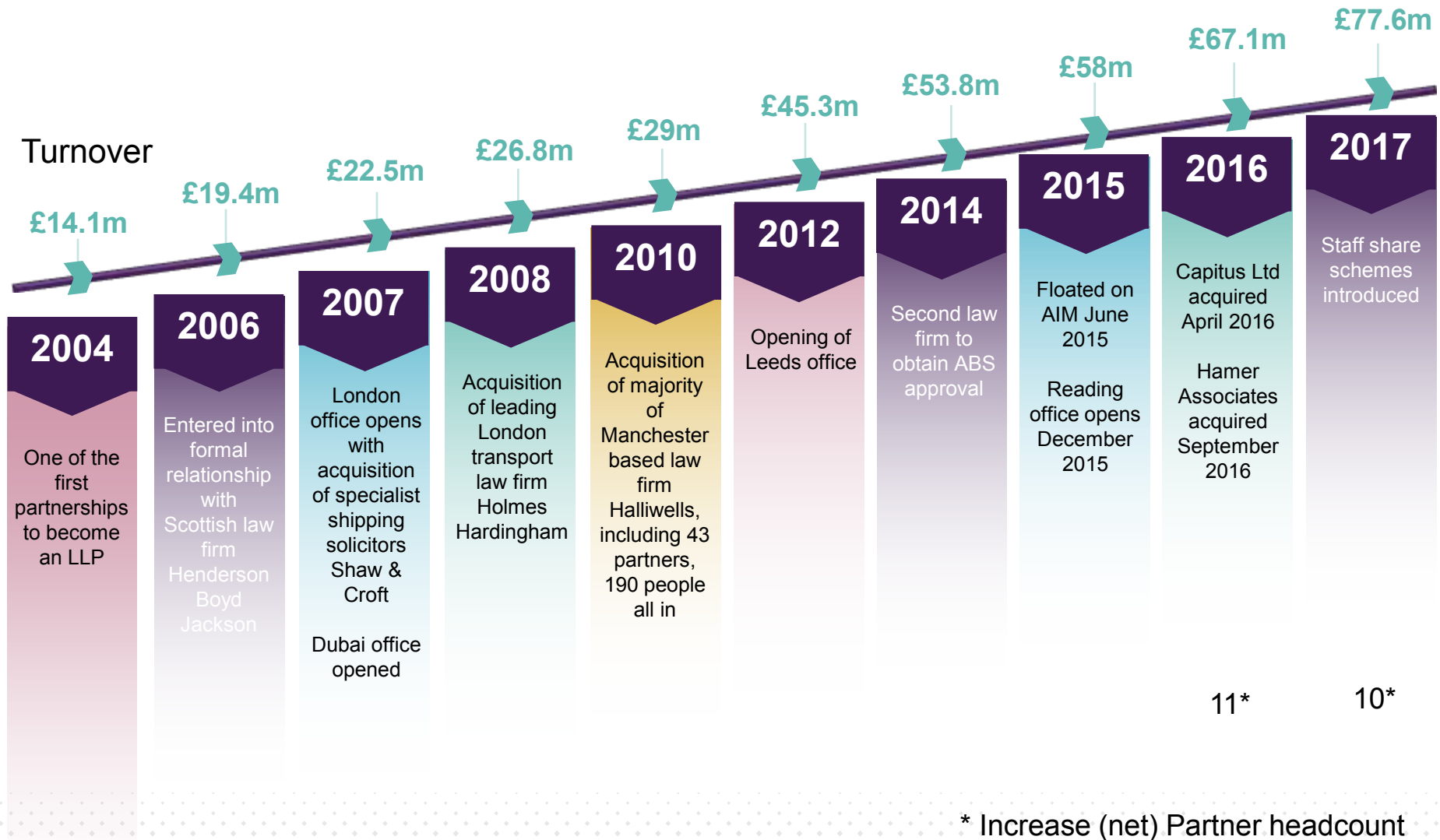
Accelerate growth; organically and by acquisition

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



Evolution of Gateley

◆ Gateley Plc



- Continued financial success
- On course with long-term strategic plan
 - Completed transition of LLP liabilities
 - Gateley's free float now 34% - Future strategy
 - Lateral partner hires
- Enhanced service offering
 - Further expansion of Reading – 19 staff/7 partners
 - Acquisition – Gateley Hamer
 - Refocused Corporate recovery teams into Restructuring and finance litigation
 - Real Estate advisory services
 - Entrust rebrand / Enplan
 - Scottish capability
- Incentivisation
 - Share scheme implementation
 - Core values – EVP

Financial Review

Financial highlights

FY17 revenue
£77.6m
PY £67.1m

Growth
15.7%
PY 10.2%

Revenue
Organic - £75.6m
Acquisitions - £2.0m

Same profile of 1st half /2nd half revenue split –
45/55%

FY17 Adjusted
EBITDA
£14.9m
PY £12.9m

Growth
15.5%
PY 14.8%

In line with market expectations
Continued people and infrastructure investment
Margin maintained

H1 FY17 PBT
£13.1m
PY £11.0m

Growth
18.8%
PY 12.2%

Personal costs risen due to headcount rise
and acquisitions
Operating expenses in line with budget
No non-underlying costs in FY17

HY1 FY17
interim
dividend
2.2p
(2016: 1.895p)
per share

Proposed HY2
FY17 final
dividend
4.4p
(2016: 3.746p)
per share

Annual
dividend 6.6p
(2016 5.639p)
17% growth

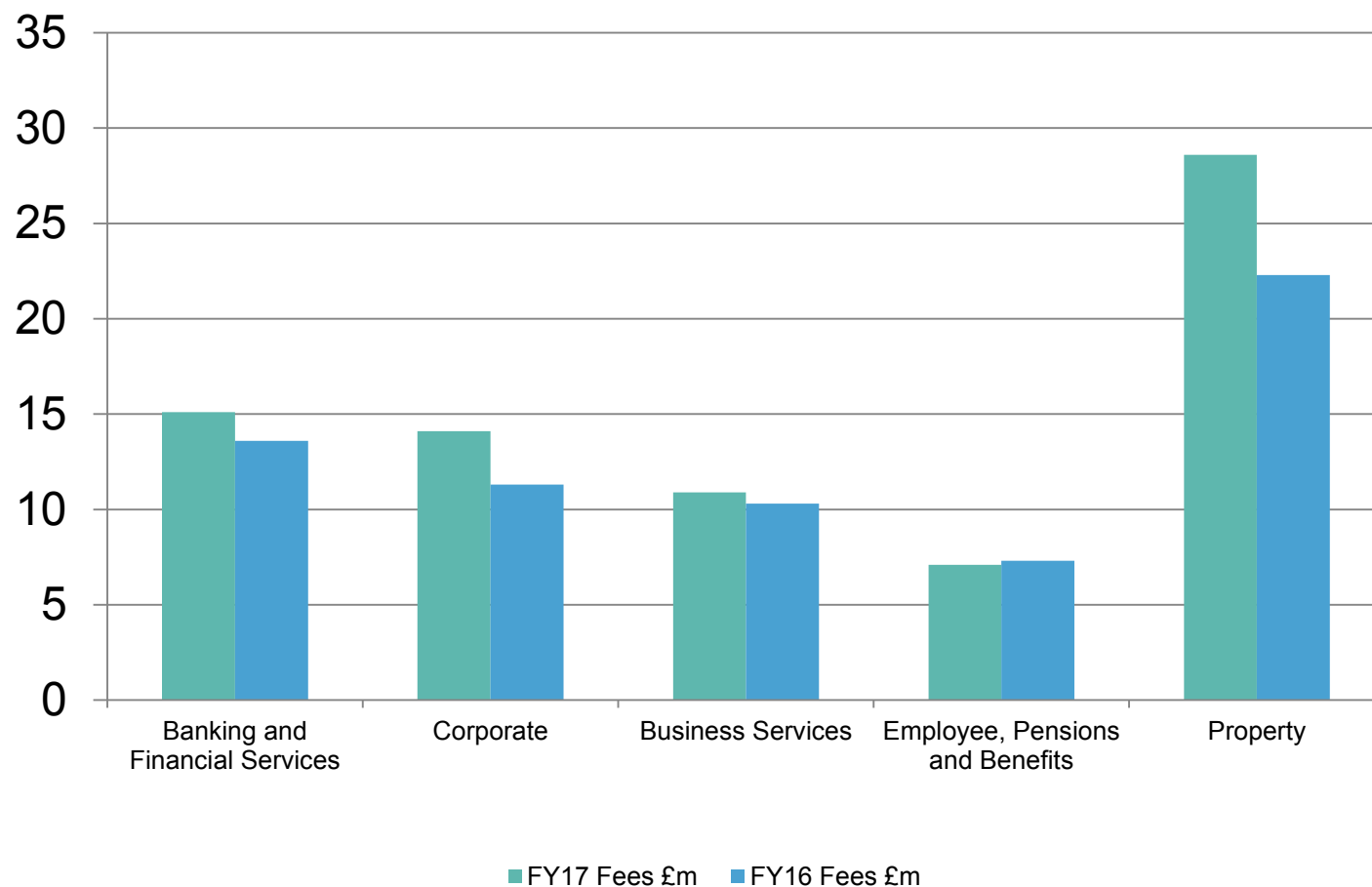
EPS 9.43p increased from 8.18p

Progressive dividend of 70% of PAT
ex-div September 2017

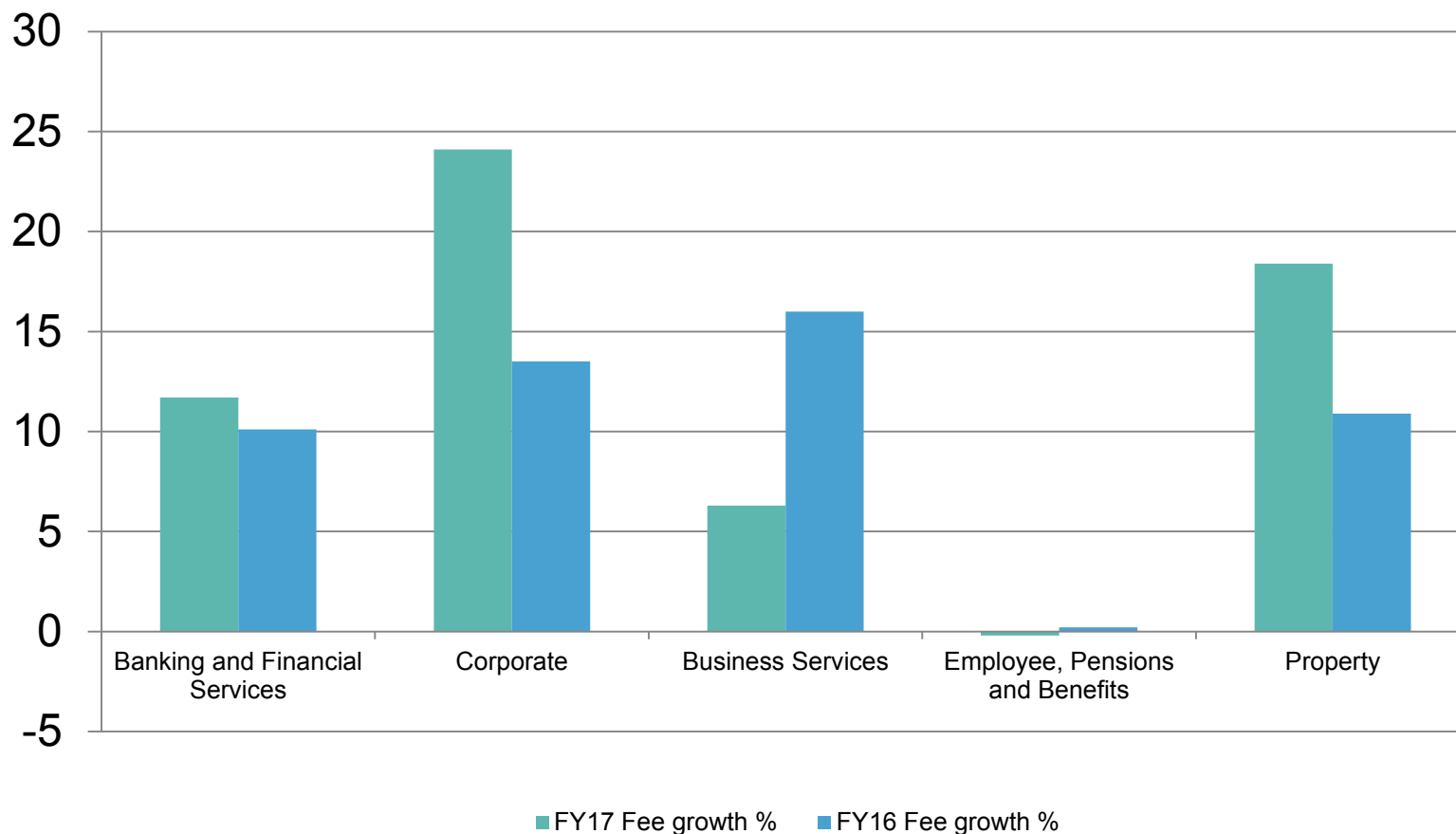
Consolidated income statement

Full year 30 April (audited)	FY17 £m	FY16 £m	Change %
Revenue	77.6	67.1	15.7%
Personnel costs	(45.2)	(38.8)	16.5%
Other operating costs (excluding non-underlying items but including other income)	(17.5)	(15.4)	13.6%
Total cost	(62.7)	(54.2)	15.7%
Adjusted EBITDA	14.9	12.9	15.5%
<i>Margin</i>	19.2	19.2	
Depreciation and amortisation	(1.3)	(0.7)	
SBP and non underlying items	(0.3)	(1.0)	
PBIT	13.3	11.2	18.2%
Interest	(0.2)	(0.2)	
PBT	13.1	11.0	18.8%
Retained PAT	10.1	8.6	17.1%
EPS	9.43p	8.18p	
Proposed annual dividend per share	6.6p	5.639p	

Group Fees £m



Organic fee growth %



Acquisitions

Gateley Capitus (Apr 16)

- **4.7x PBIT**
- **Acquired for £2.9m**
 - Cash £1.6m + 0.2m deferred
 - Shares £1.1m @ 1.01p
- **Acquired assets £0.6m**

£m	Jun 2013	Jun 2014	Jun 2015	Apr 2016 (10 months)	Apr 2017
Revenue	1.2	1.2	1.4	1.0	1.2
Pro-forma EBITDA	0.1	0.1	0.4	0.2	0.2

Activity since acquisition

- Midlands team moved into Gateley offices day 1
- New centre of Belfast office Sept 16
- Staff numbers up from 8 to 12 since acquisition
- Opportunities in ROI – new employee base
- Increase in deferred income - £0.32m to £0.57m
- Cross-selling

Gateley Hamer (Sept 16)

- **4.0x PBIT (earn-out based)**
- **Acquired for £2.05m**
 - Cash £0.5m + £0.5m deferred
 - Shares £0.5m + £0.5m deferred
- **Acquired assets £0.4m**

£m	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Apr 2017 (13 months)
Revenue	0.5	0.4	1.0	1.2	1.4
Pro-forma EBITDA	0.2	0.0	0.2	0.3	0.2

Activity since acquisition

- Entire team in Gateley offices 1st Nov 16
- Head of Easements & Wayleaves appointed
- Staff numbers up from 10 to 11
- Cross-selling

Balance sheet

As at 30 April (audited)	FY17 £m	FY16 £m
Non-current assets*	6.3	4.2
Current assets	41.8	43.5
<i>Cash</i>	2.7	9.8
<i>Unbilled Revenue (WIP)</i>	10.5	9.9
<i>Trade receivables</i>	26.1	20.8
<i>Other Debtors</i>	2.5	3.0
Non-current liabilities	(5.6)	(8.1)
Current liabilities	(25.0)	(26.9)
Net Assets (before final dividends)	17.4	12.7

* Includes £3.8m (2016: £2.5m) intangible asset values remaining from the acquisitions of Gateley Capitus Limited & Gateley Hamer Limited

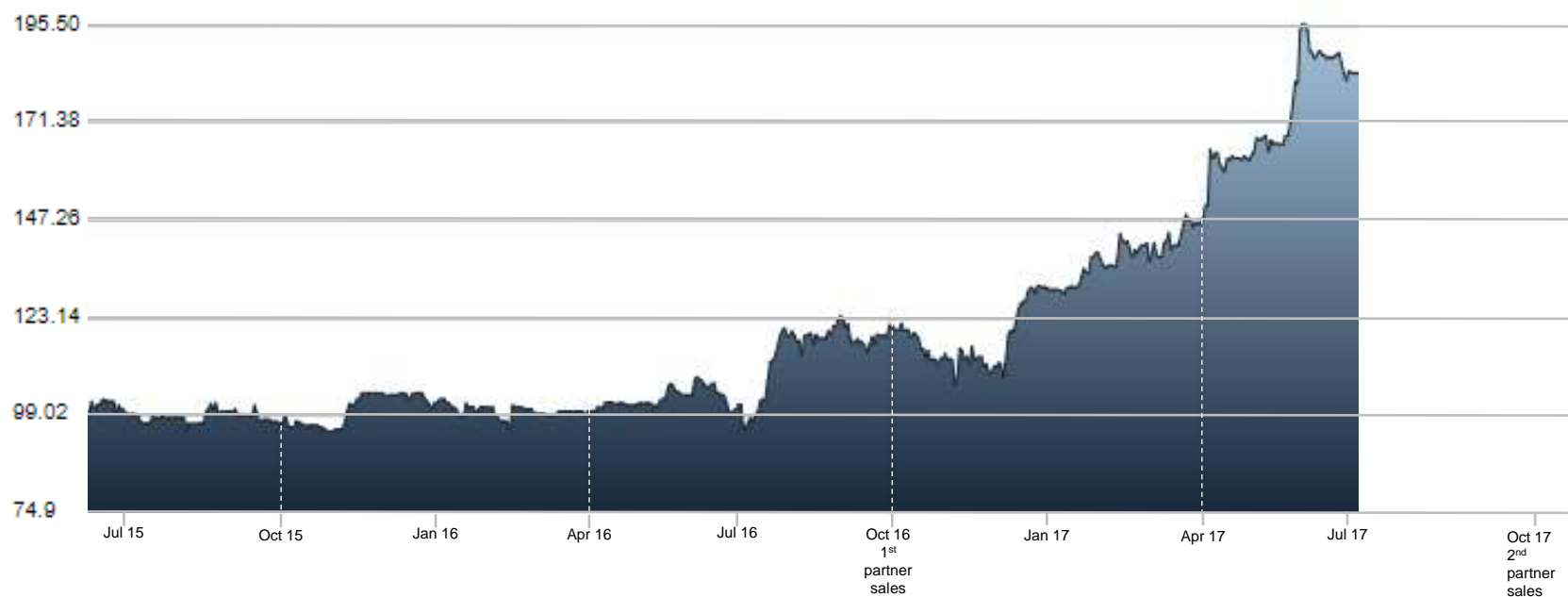
Cash flow statement

Extracts from Consolidated cash flow statement for the year ended 30 April (audited)	FY17 £m	FY16 £m
Profit for the year	10.1	8.6
Cash generated from operations before taxation (% of profit)	10.5 (104%)	15.3 (178%)
Taxation	(2.8)	(1.0)
Investing activities	(1.7)	(1.9)
Financing activities		
New money raised on IPO	-	4.9
Net borrowings movement (term loans)	(2.0)	8.7
Interest paid	(0.2)	(0.2)
Repayments on behalf of former partners (LLP legacy payments)	(4.6)	(16.9)
Dividend paid	(6.3)	(2.0)
Net cash used in financing activities	(13.1)	(5.3)
Net increase in cash and cash equivalents	(7.1)	7.1
Cash at end of year	2.7	9.8

Current share statistics

Market capitalisation/free float	
Market capitalisation	£195m
Free float	34.3%

Shareholder as at 26 June 2017	%
Liontrust	9.49%
Miton Asset Management	7.21%
Premier Fund Managers	5.71%



Market Environment & Acquisitions

- Total UK sales of legal services – over £30bn
- UK accounts for around 10% of global legal services revenues
- UK legal industry is by far the biggest in Europe, second only to US worldwide
- English common law adopted 27% of the World's 320 legal jurisdictions
- Over 350,000 people employed in the UK legal industry
- 4 of the largest 10 law firms in the world (by revenue) have main base of operations in the UK

**The UK is and will remain
a leading, global centre for law**

An industry in change

Mergers continue

Report Date	Firm 1	Main Office	Total Lawyers	Firm 2	Main Office	Total Lawyers	Post-Merger Name
03/07/2017	Fieldfisher	London	420	Lucchini Gattamorta & Associates	Bologna	15	Fieldfisher SAPSI*
28/06/2017	Kennedys	London	975	Berg	Manchester	8 partners	Kennedys
01/06/2017	Bond Dickinson	London	468	Womble Carlyle Sandridge & Rice	Winston-Salem	491	Womble Bond Dickinson
10/05/2017	Clyde & Co	London	1,387	Garza Tello & Asociados	Mexico City	23	Clyde & Co
04/05/2017	Kennedys	London	975	Carroll McNulty & Kull	New Jersey	100	Kennedys CMK*
31/03/2017	DLA Piper	London	3,700	LETT	Copenhagen & Aarhus	150	DLA Piper
08/03/2017	Mills & Reeve	London	397	Maxwell Winward	London	22 partners	Mills & Reeve
07/03/2017	DLA Piper	London	3,700	ABBC	Lisbon	50	DLA Piper
21/02/2017	Norton Rose Fulbright	London	3099	Chadbourne & Parke	New York	103 partners	Norton Rose Fulbright
15/02/2017	Eversheds Sutherland	London & Washington	1750 (est)	Harry Elias Partnership	Singapore	80	Eversheds Harry Elias*
24/01/2017	DWF	Manchester	838	Triton Global++	London	215 staff, 11 partners	
03/01/2017	DWF	Manchester	838	Heenan Paris	Paris	4 partners	DWF

An industry in change (continued)

◆ Gateley Plc



NEWS Fairpoint shares suspended after bank pulls the plug

By John Hyde | 28 June 2017

LegalWeek

LITIGATION

Former KWM staff team up for legal action over handling of redundancy process



Rose Walker
@RoseWalker
18 February 2017



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Slater & Gordon to sue Watchstone for £600m over failed Quindell acquisition

By Alexandra Rogers 11 May 2017 14:36

Slater & Gordon is suing insurance, tech and healthcare company Watchstone for £600m over a deal made in 2015 to acquire the professional services division of the company when it was called Quindell.

TECHNOLOGY

A.I. Is Doing Legal Work. But It Won't Replace Lawyers, Yet.

By STEVE LOHR MARCH 16, 2017



Impressive advances in artificial intelligence technology tailored for legal work have led some lawyers to worry that their profession may be Silicon Valley's next victim.

But recent research and even the people working on the software meant to automate legal work say the adoption of A.I. in law firms will be a slow, task-by-task process. In other words, like it or not, a robot is not about to replace your lawyer. At least, not anytime soon.

"There is this popular view that if you can automate one piece of the work, the rest

“What keeps associates happy is that feeling of being part of the business, not just like a work production unit”

David Higgins, Freshfields Bruckhaus Deringer

“In the first five years I mentored lawyers, one in ten were showing signs of stress. Now 40% to 50% are.”

Paul Gilbert, LBC Wise Counsel

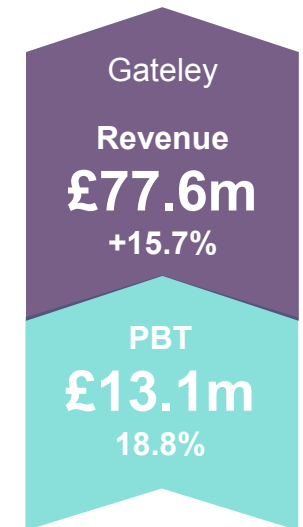
“Whatever we introduce here has to have real substance. Empty declarations will lead us nowhere.”

Paul Stacey, Slaughter and May

Interviews with *Legal Business Magazine* – May 2017

Competitor analysis

Law Firm	Revenue	% increase/decrease	PEP	% increase/decrease
Eversheds Sutherland	£438.6m	8%	£742,000	2%
Fieldfisher	£165m	34%	£640,000	16%
Watson Farley & Williams	£159.8m	22%	£600,000	25%
TLT	£74.6m	4%		
CMS	£805m	1%		
Stephenson Harwood	£176m	11%	£708,000	8.5%
Shoosmiths	116.7m	9%	£366,000	
Pinsent Masons	£423m	11%	£625,000	14%
Freshfields Bruckhaus Deringer	£1.33bn	0.3%	£1.547m	5%
Dentons	£166m	1%	£481,000	9%
Macfarlane	£167.6m	4%	£1.38m	8%
Allen & Overy	£1.52b	16%	£1.51m	26%
Weightmans	£95m	0.9%	£295,000	19%
Clifford Chance	£1.54bn	11%	£1.38m	12%



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

- ◆ A track record of profitable growth
- ◆ A strengthening balance sheet, a focus for product and people development
- ◆ 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
- ◆ Gateley the only law firm with positive balance sheet, which continues to strengthen
- ◆ 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

A stable, broad-based & resilient business

- 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:

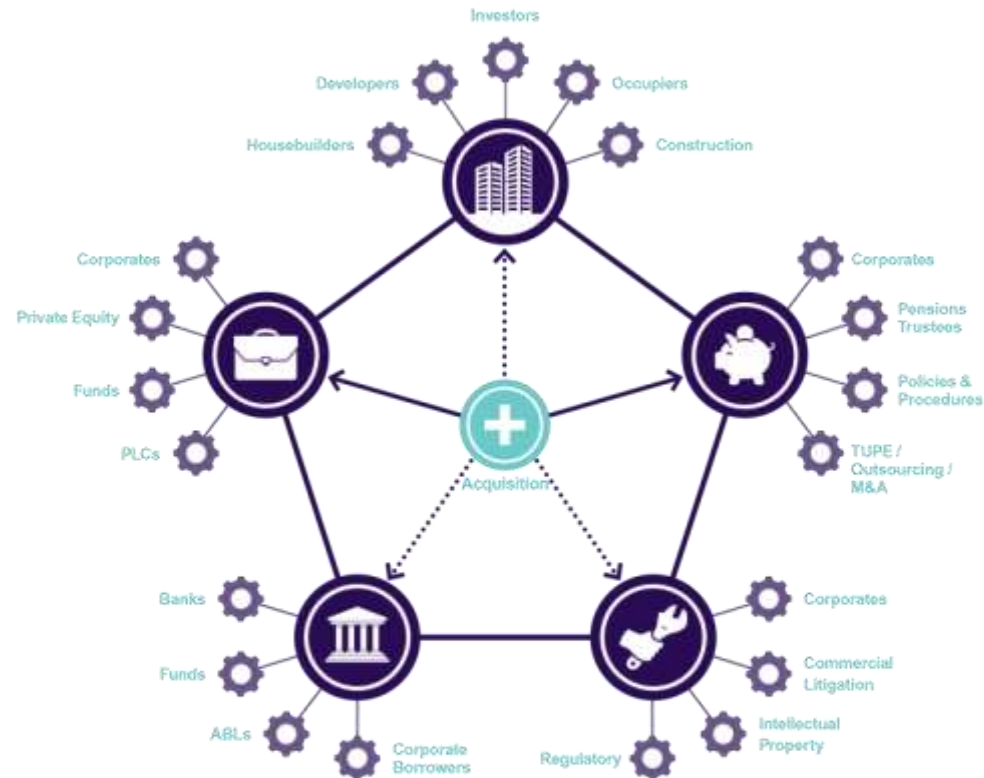
- No sector dependency
- No client dependency
- No legal discipline dependency
- No geographic dependency
- No London markets dependency
- No overseas capital commitments or FX exposure
- No governmental dependency
- Counter-cyclical work streams
- A mid-market focus, largely national
- An established, 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

Acquisitions

Collective Strength & Growth

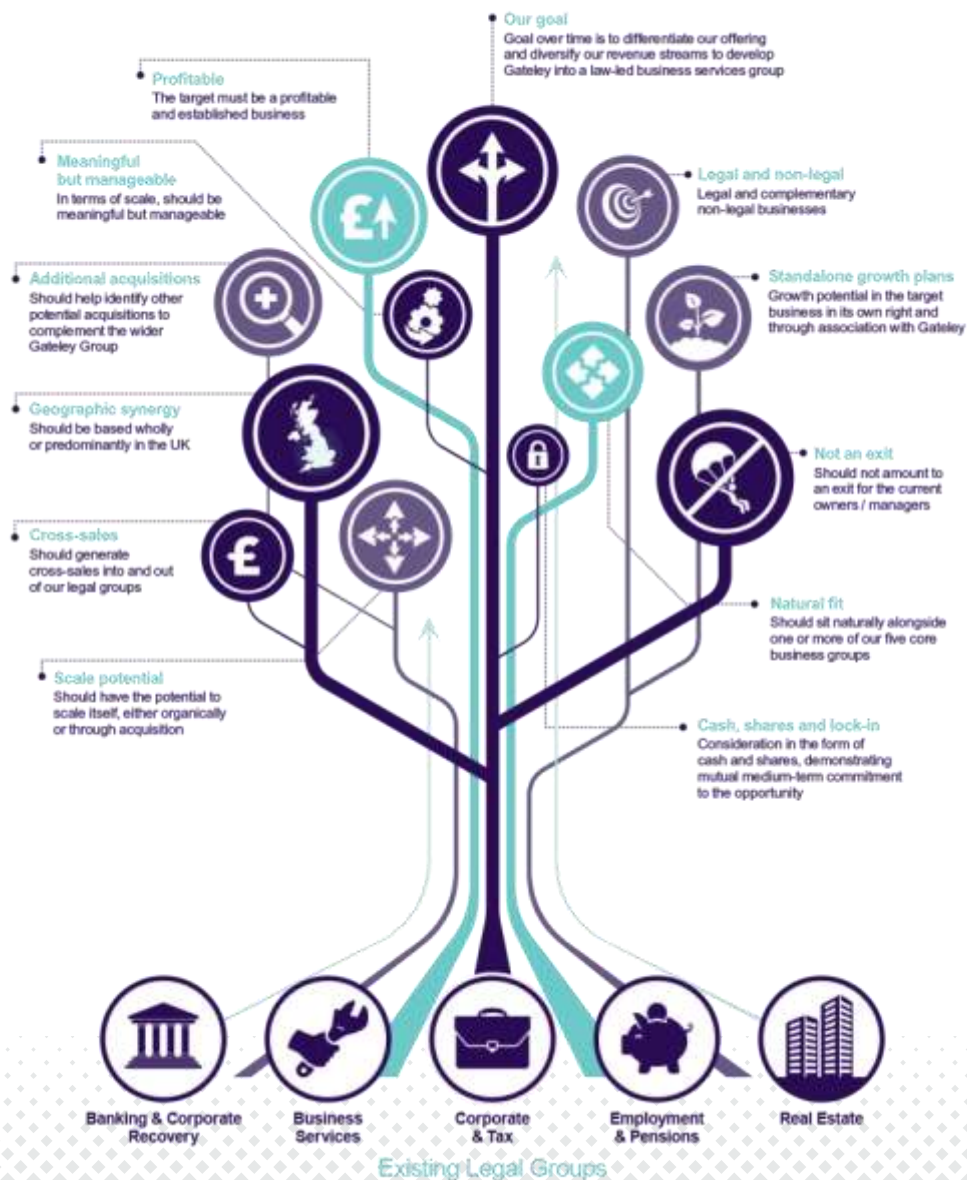
Working together to generate sales into and out of Gateley's existing business



Existing Legal Groups

Businesses acquired will support each other, and our legal operations, to create a broader, more relevant offering

Collective Strength & Growth Acquisition Criteria



Acquisitions update

- Plenty of opportunities, across all 5 operating segments
- Seven sub-sectors under active, detailed consideration
- Multiple potential targets identified
- Capitus & Hamer integration on-going
- Broader visibility and focus improving

	Integration	Investment	Stabilisation/ growth	Cross-selling
Gateley Capitus	✓	✓	✓	✓
Gateley Hamer	✓	✓	✓	✓

Summary and outlook

Plc status continues to raise our profile – Group is well balanced and resilient

Continue to provide a platform for the continued growth and enhancement of the business

New and exciting opportunities in each area of our Strategic Plan

- ◆ Build a full service office in Reading
- ◆ Target growth in specific national service lines
- ◆ Consider further lateral hire opportunities
- ◆ Deliver 100% satisfaction to clients
- ◆ Role out our EVP

Strengthen our business by broadening our service offering through the acquisition of complementary legal and non-legal, professional service businesses

Management expect to deliver in line with forecasts

A stable, broad-based & resilient business

Appendices

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

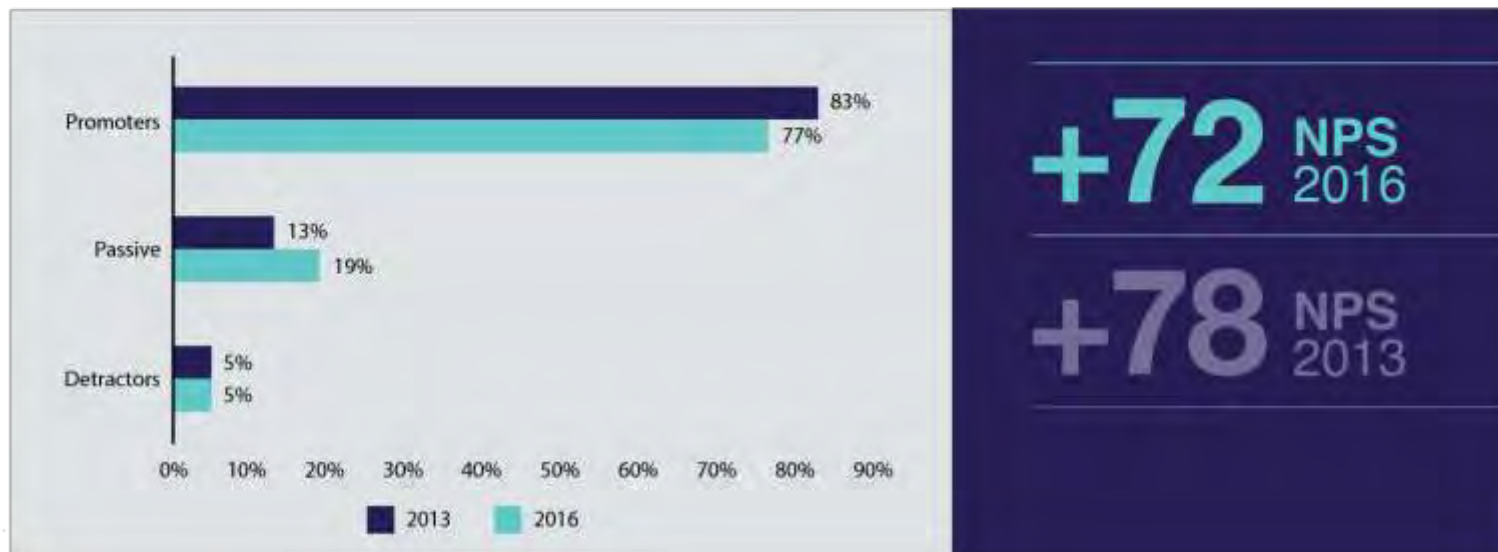
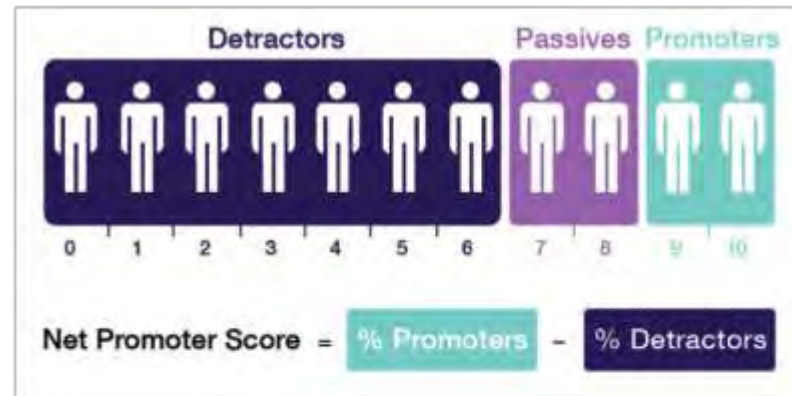
We aren't afraid to tell it how it is but we always have the clients' best interests at heart. We are straight-talking because we need to be when we are looking after clients' businesses and matters as we would our own. Being pragmatic and knowledgeable but always acting with integrity are the main reasons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

Net Promoter Score

◆ Gateley Plc

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

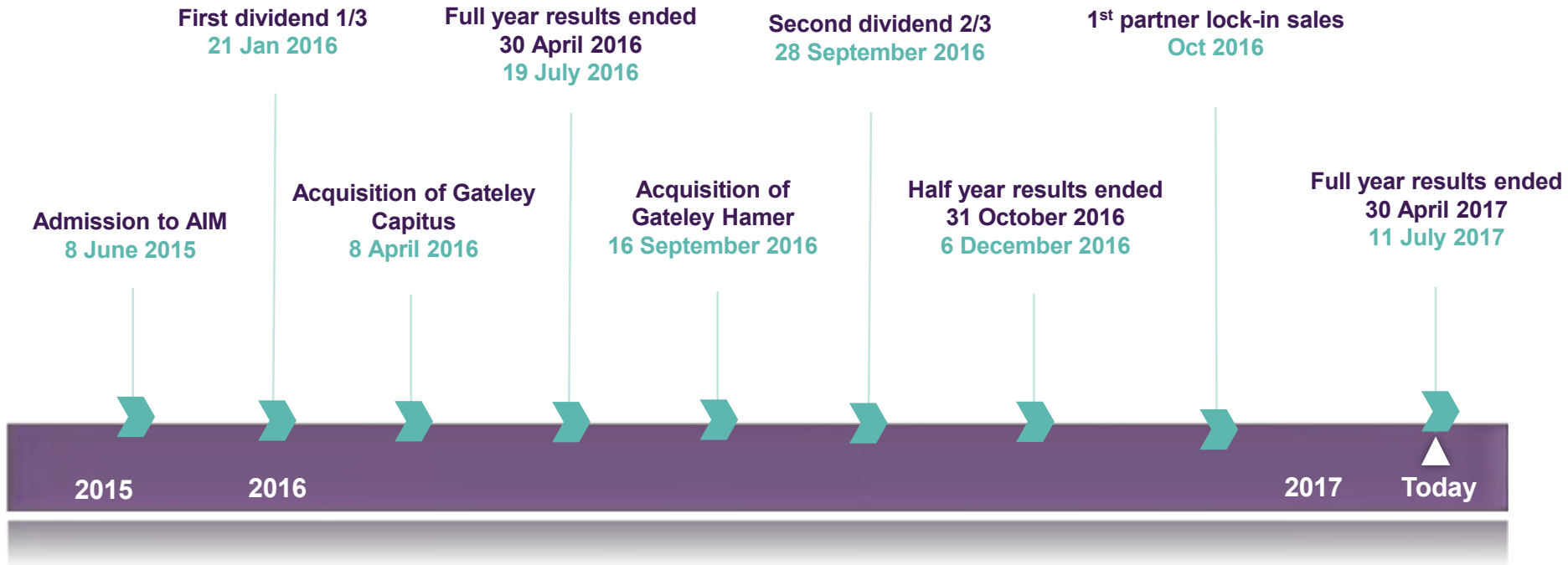
Clients were asked to provide a rating on a scale from zero to 10, with zero equating to not being at all likely to recommend through to 10 being very likely to recommend.



+72 NPS 2016

+78 NPS 2013

Progress



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