

KEYSTONE LAW

INTERIM RESULTS

for the six months ended 31 July 2024



EXECUTIVE SUMMARY

1. THE MODEL

- Market leading platform law firm
- Over 550 high quality, closely vetted, lawyers working from their own offices
- Simple pay when paid, performance-based, remuneration structure
- Lawyers themselves introduce 98% of clients
- Tech acts as a hub, driving efficiencies and limiting costs

2. GROWTH & SCALABLE

- Growth predominantly driven through recruitment of high calibre lawyers
- Excellent ability to scale due to pay when paid, own office working and fully scalable technology platform
- Pod concept further promotes growth and scale



3. THE OPPORTUNITY

- Profitable, cash generative, low risk, resilient business with excellent track record
- Seen by many as operating law firm model of the future, particularly in post COVID world
- Over £10bn largely addressable market



RESULTS HIGHLIGHTS



STRONG PERFORMANCE ACROSS ALL KPI'S

- Revenue up 8.3% on H1 2024
- Adjusted PBT up 7.2% on H1 2024
- Operating cash conversion 106%
- Debt free with £8.3m cash
- Ordinary interim dividend 6.2p per share



RECRUITMENT ACTIVITY REMAINED POSITIVE

- Recruitment market remained positive
- All recruitment KPI's up on H1 2024
- 30 Principals joined in the Period
- 16 Pod members joined
- Total fee earners up to 557



QUALITY ENHANCING STAKEHOLDER VALUE

- Keystone consistently attracts candidates from leading law firms in UK
- Bespoke, one to one, onboarding ensures new lawyers maximise the opportunity of their practice
- High quality service delivery enhances lawyer experience and Keystone's reputation. This results in high retention rates and drives recruitment through lawyer referrals

RECRUITMENT ACTIVITY REMAINED VIBRANT

153

Applicants (Principals)
Up 6.25% on H1 2024

56

Offers Made (Principals)
Up 9.5% on H1 2024

31

Offers Accepted (Principals)
Up 24% on H1 2024

30

30 New Principals joined
H1 2024: 25

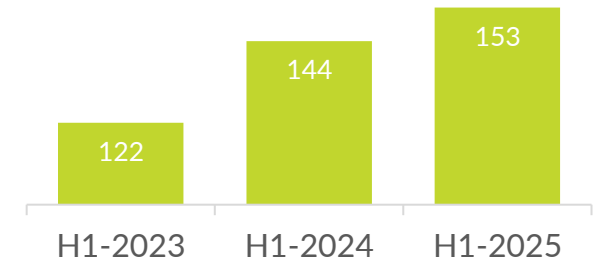
442

Principals increased from
432 to 442

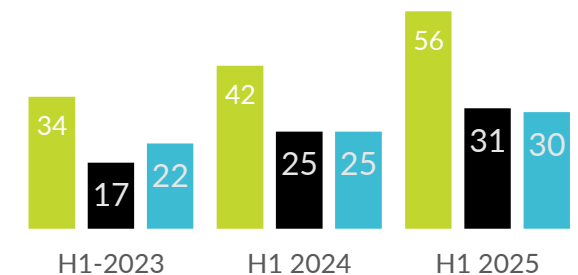


Pod structure offers lawyers
growth potential and flexibility

Qualified New Applicants



Offers Made / Accepted & Starters



Recruitment market remained positive throughout the period in spite of the potential for disruption with the political uncertainty leading up to the General election

FINANCIAL HIGHLIGHTS

£46.5m

Revenue +8.3%
H1 2024⁽¹⁾: £42.9m

26.0%

GM%
H1 2024: 26.2%

£6.1m

Adj. PBT +7.2%
H1 2024: £5.7m

13.1%

Adj. PBT Margin⁽¹⁾
H1 2024⁽¹⁾: 13.3%

106%

Operating cash conversion
H1 2024: 113.3%

£8.3m

Net cash
H1 2024: £11.3m

14.6p

Adjusted EPS
H1 2024: 13.6p

6.2p

Ordinary DPS
H1 2024: Ordinary 5.8p

(1) Following the FRC review of 31 January 2023 annual report and accounts, revenue & cost of sale were restated to disclose the effects of the impairment review as a cost below gross profit to fully comply with IFRS 9 and IAS 1.82 (ba). This had no impact on PBT, adjusted PBT, earnings or cash.

INCOME STATEMENT

| Six months ended 31 July | | | | |
|--|--------------|---------------------------------------|-----------------------|-------------|
| £'000 | H1 2025 | H1 2024 (Restated ⁽¹⁾) | H1 2024 (Reported) | Change |
| Revenue | 46,468 | 42,889 | 42,305 | 8.3% |
| Gross profit | 12,085 | 11,244 | 11,092 | 7.5% |
| GM% | 26.0% | 26.2% | 26.2% | |
| Staff costs | (2,663) | (2,311) | (2,311) | 15.2% |
| Other administrative expenses | (3,532) | (3,281) | (3,281) | 7.6% |
| Amort & Interest - right of use assets | (223) | (206) | (206) | 7.9% |
| Depreciation | (50) | (68) | (68) | -26.4% |
| Net impairment of trade receivables | (77) | (152) | | -49.1% |
| Adjusted Administrative Expenses | (6,545) | (6,018) | (5,866) | 8.8% |
| Other operating income | 29 | 24 | 24 | |
| Net finance income/(cost) | 529 | 441 | 441 | |
| Adjusted PBT | 6,098 | 5,691 | 5,691 | 7.2% |
| Adjusted PBT% | 13.1% | 13.3% | 13.6% | |
| Adjusted PBIT% | 12.0% | 12.2% | 12.4% | |
| Adjusted basic EPS (p) | 14.6 | 13.6 | 12.2 | 7.4% |
| Average Principals | 437 | 407 | 407 | 7.6% |
| Average Revenue £ / Principal | 106,334 | 105,508 | 104,071 | 0.8% |

Revenue

Revenue up 8.3% to £46.5m driven mainly by growth in Principal numbers which are up 7.6%, whilst revenue per Principal has increased marginally from £105.5k to £106.3k.

Other Admin

Other administrative expenses have increased by 7.6%, driven by increased lawyer numbers, ongoing investment which enhances our offering as well as general inflationary cost increases

GM%

Margin only revenue⁽²⁾ remained flat, with revenue growth driven by our core UK Principals and their pods. This change in mix caused GM% to reduce by 0.2%

Finance Income

Interest rates have remained high throughout the period continuing to support higher levels of finance income.

Staff Costs

Average headcount has increased 9.5% (from 63 to 69) year on year as we continue to invest in the resources necessary to support the growing lawyer base. Furthermore the remuneration we offer the Central office team needs to remain competitive to attract and retain high calibre people to the Central office team.

Adj PBT & PBT %

Adj PBT has increased 7.2% to £6.1m.

This represents adj PBT margin of 13.1%, down 0.2% on H1-2024, as the decline in GM% has flowed through.

KEYSTONE LAW

(1) Following the FRC review of 31 January 2023 annual report and accounts, revenue & cost of sale were restated to disclose the effects of the impairment review as a cost below gross profit to fully comply with IFRS 9 and IAS 1.82 (ba). This had no impact on PBT, adjusted PBT, earnings or cash.

(2) Margin only revenue generated by central office employed lawyers and lawyers operating in Isle of Man.

BALANCE SHEET

| As at : £'000 | 31-Jul 2024 | 31-Jul 2023 | 31-Jan 2024 |
|--|----------------|----------------|----------------|
| Property, plant and equipment | 80 | 168 | 121 |
| Right of use assets | 2,206 | 308 | 2,428 |
| Intangible assets | 4,881 | 5,231 | 5,056 |
| Investments | 129 | 14 | 129 |
| Total non current assets | 7,296 | 5,721 | 7,734 |
| Trade and other receivables | 27,301 | 23,673 | 25,194 |
| Cash and cash equivalents | 8,311 | 11,348 | 8,367 |
| Total current assets | 35,612 | 35,021 | 33,561 |
| Total assets | 42,908 | 40,742 | 41,295 |
| Share capital | 63 | 63 | 63 |
| Share premium | 9,921 | 9,921 | 9,921 |
| Share based payments reserve | 874 | 1,078 | 1,060 |
| Retained earnings | 6,563 | 7,464 | 5,896 |
| Equity attributable to equity holders | 17,421 | 18,526 | 16,940 |
| Lease liabilities | 1,763 | 0 | 2,028 |
| Provisions | 912 | 0 | 908 |
| Deferred tax liabilities | 15 | 85 | 50 |
| Total non current liabilities | 2,690 | 85 | 2,986 |
| Trade and other payables | 22,202 | 20,126 | 19,783 |
| Lease liabilities | 595 | 417 | 345 |
| Corporation tax liability | 0 | 1,381 | 1,243 |
| Provisions | 0 | 208 | 0 |
| Total current liabilities | 22,797 | 22,132 | 21,370 |
| Total liabilities | 25,487 | 22,217 | 24,356 |
| Total equity and liabilities | 42,908 | 40,742 | 41,295 |

Cash

Cash positive and debt free; net cash £8.3m

Debtor Days

Trade debtor days are 33 (H1 2024: 32)

Payables

Trade debtors and accrued income have corresponding 75% liability to lawyers as paid when paid. Included in trade and other payables

Leases

Recently renewed leases on two floors in Chancery Lane maintaining same space as previously held. 5 years co terminus to April 2029

Intangible Assets

Intangible assets are a function of the structuring of the private equity investment in October 2014

| As at : £'000 | 31-Jul 2024 | 31-Jul 2023 | 31-Jan 2024 |
|------------------------------------|----------------|----------------|----------------|
| Trade and other receivables | | | |
| Trade receivables | 12,600 | 10,132 | 10,495 |
| Accrued income | 11,761 | 10,706 | 11,572 |
| Prepayments and other receivables | 2,940 | 2,835 | 3,127 |

CASH FLOW

| Year ended 31 January £'000 | H1 2025 | H1 2024 |
|---|---------------|---------------|
| Profit before tax | 5,544 | 5,266 |
| Depreciation - right of use assets | 222 | 205 |
| Amortisation & other depreciation | 226 | 243 |
| Share based payments | 379 | 250 |
| Net finance (income) / costs | (529) | (441) |
| | 5,841 | 5,524 |
| Movement in working capital | 348 | 736 |
| Cash generated from operations | 6,189 | 6,260 |
| Interest portion of leases | (29) | (48) |
| Net Interest received | 558 | 488 |
| Corporation tax paid | (2,801) | (806) |
| CAPEX | (10) | (49) |
| Repayments of lease liabilities | (15) | (231) |
| Cash flow pre dividends | 3,893 | 5,615 |
| Dividends paid | (3,949) | (3,419) |
| Net Cash flow | (56) | 2,196 |
| Closing Cash | 8,311 | 11,348 |
| Operating cash conversion ⁽¹⁾ | 106.0% | 113.3% |

Cashflow Dynamic

Business model inherently cash generative and capital light with lawyers only paid when Keystone is paid

Cash Conversion

Operating cash conversion⁽¹⁾ remained strong at 106% compared to 113.3% (longer term average of c.95%)

Corporation Tax

Following YE Jan 2024 profits, Keystone now classified as “super-large” by HMRC, so timing of quarterly payments accelerated and all tax due to be paid during the year.

H1 2025 is a transitional period so we have paid the final two payments for YE Jan 24 and the first two payments for YE Jan 25.

Lease payments

New leases signed effective April 24, with six month rent free periods, so negligible cash outflow this period.

Net interest

Interest rates remained high throughout the Period.

£0.9m interest received (H1 2024: £0.7m)
£0.4m paid on client balances (H1 2024: £0.2m)

Dividends paid

Dividend paid represents final Ordinary dividend from Y/E January 2024 of 12.5p per share (H1 2024: 10.9p)

SUMMARY & OUTLOOK

Summary

A strong all-round performance

Strong performance across all business KPI's

Client demand has held up, whilst growth in Principals continued to drive revenue growth

Continued strong growth in Adjusted PBT

We have recruited well and taken on 30 new Principals

Outlook

Confident of continuing to deliver strong results

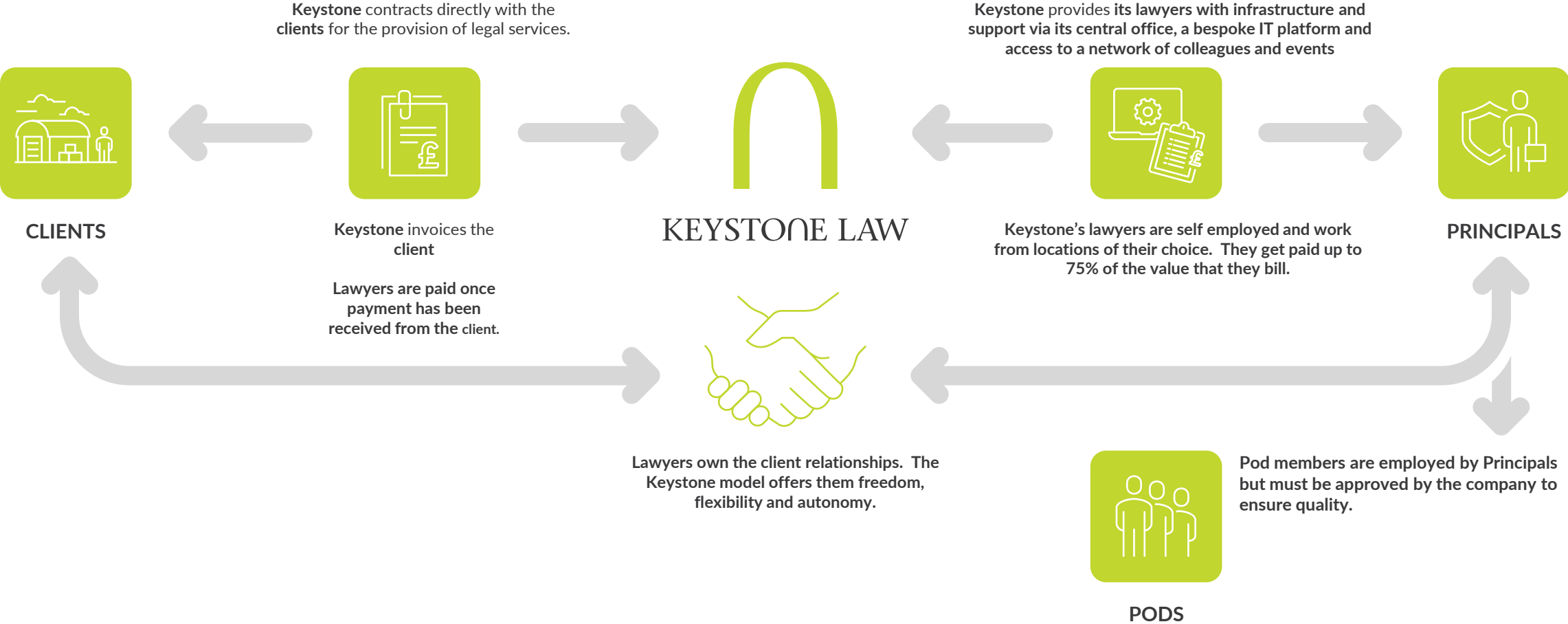
Recruitment market conditions remain favourable, despite economic uncertainty and change in government

We are confident that we will continue to deliver a strong performance with both revenue and adjusted PBT being slightly ahead of market expectations prior to this announcement



APPENDIX - BUSINESS OVERVIEW

THE MODEL



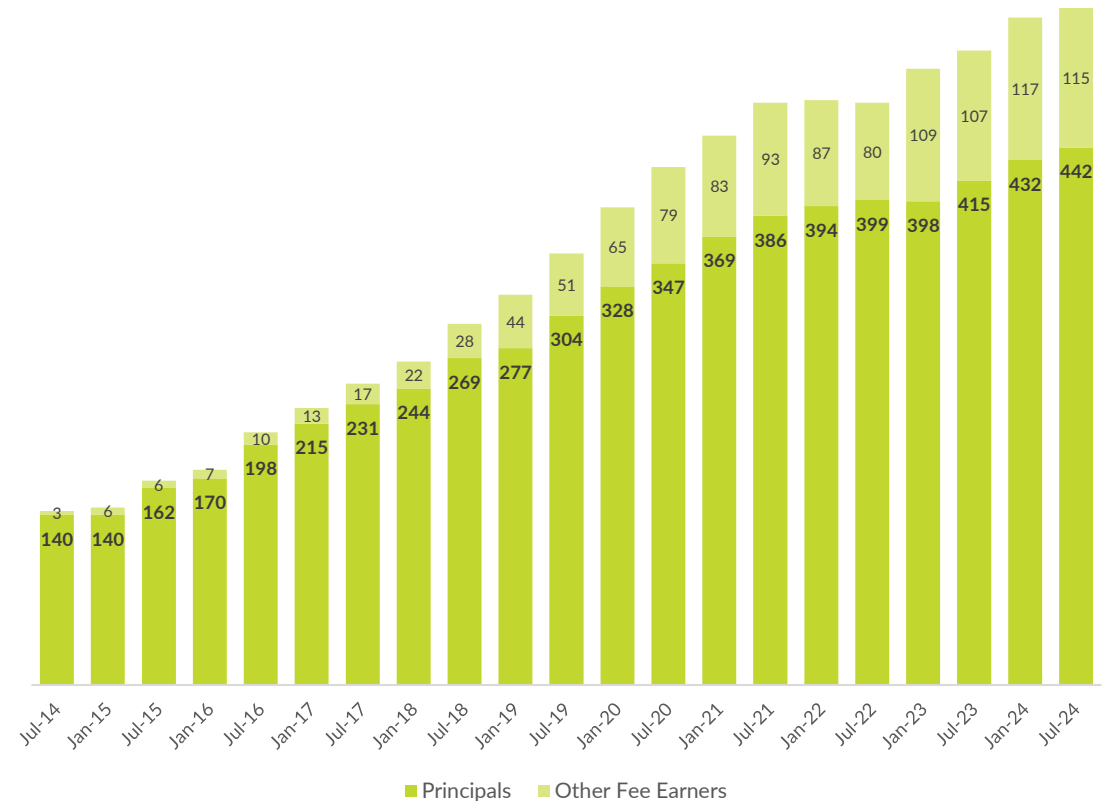
AWARD-WINNING



“ *The innovative business model allows for a flawless service, first rate advice and a pragmatic approach* ”
- LEGAL 500

TRACK RECORD OF GROWTH

- Fast growing – revenue of £ 87.9m⁽¹⁾, increase of 15% p.a. (Jan 23– Jan 24)
- UK's 60th largest law firm by revenue ⁽²⁾
- Profitable with enhancing margins
- Adjusted PBT ⁽³⁾ of £ 11.3m ⁽¹⁾, increase of 17% p.a. (Jan 2018 – Jan 24)
- Adjusted PBT margin 12.8%⁽¹⁾ up from 2017 8.9%
- Highly cash generative model with an operating cash conversion 96.1% (2023 96.4%)
- Progressive dividend policy –paid out 2/3rds adjusted PAT since IPO in Ordinary dividends plus 3 Special dividends. Total DPS paid equals 100% of EPS generated post IPO – Jan 23
- 432 Principals, 117 Junior lawyers, 63 management and support staff



(1) Year ended 31 January 2024 (2) Source The lawyer top 100 report 2022 (3) Adjusted PAT – PAT plus amortisation of intangibles and share based payment costs (4) 2022 benefitted from enhanced revenue per Principal and overhead savings due to Covid restrictions

LARGE ADDRESSABLE MARKET

UK LEGAL SERVICES MARKET

- 2nd largest in the world £43.7 billion revenue p.a. ⁽¹⁾
- Extremely diverse from Magic Circle to “high street”

UK MID MARKET⁽²⁾ FOR LEGAL SERVICES

- Over £10 bn revenues p.a.
- Predominantly addressable

DELIVERED BY

- 34,000 qualified lawyers
- Across 185 law firms



(1) The CityUK – UK Legal Services 2023 (2) UK Mid market – being The Lawyer Top 200 (ex top 15)

NUTS AND BOLTS OF KEYSTONE PRODUCT



Strong brand
and reputation



Marketing and business
development support



Finance and
administrative support



Substantial internal
networking opportunities
with high calibre
colleagues



Compliance and
risk management



Junior lawyers
and paralegals



IT infrastructure
developed to support
agile working

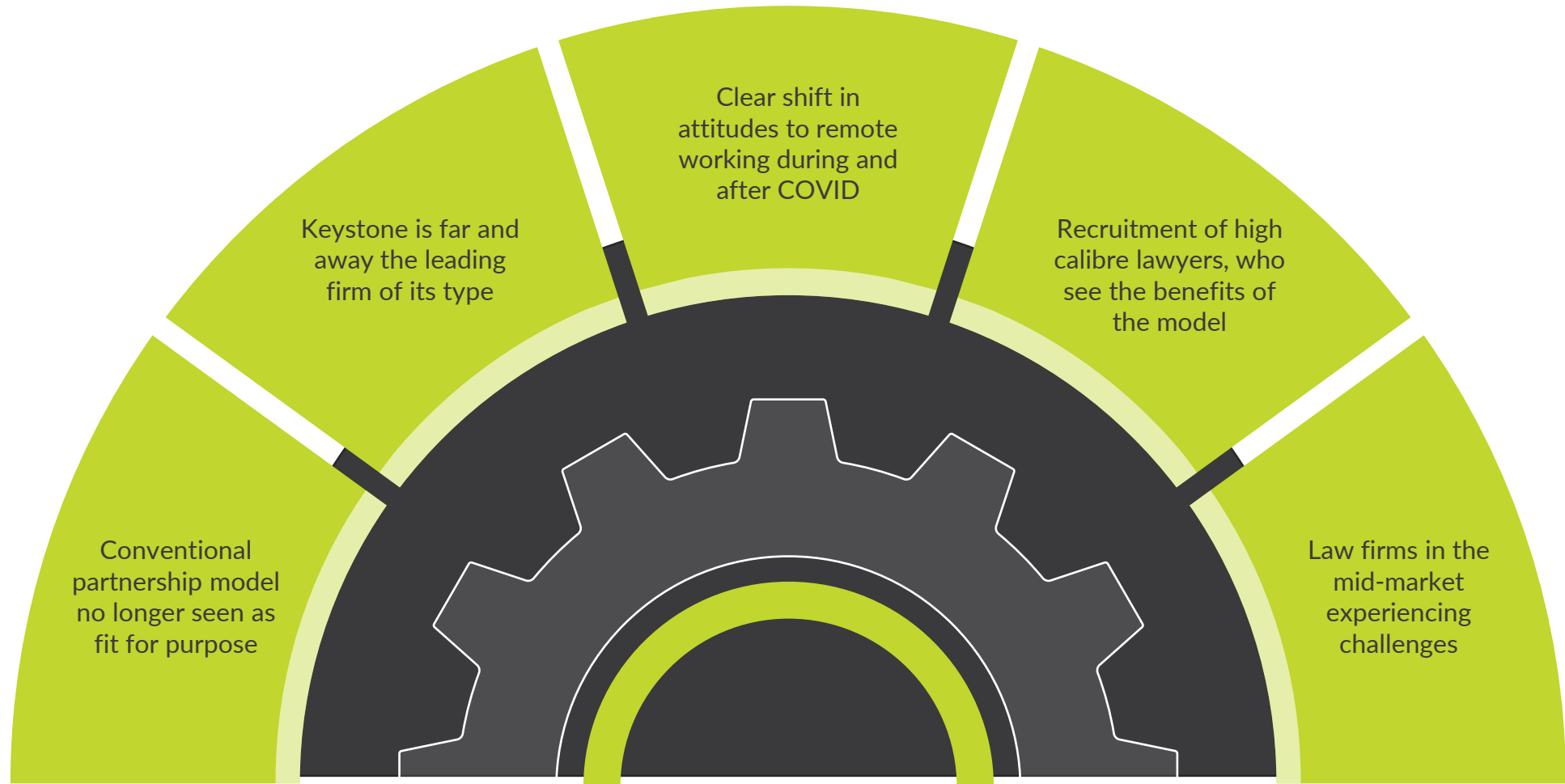


Professional
indemnity insurance



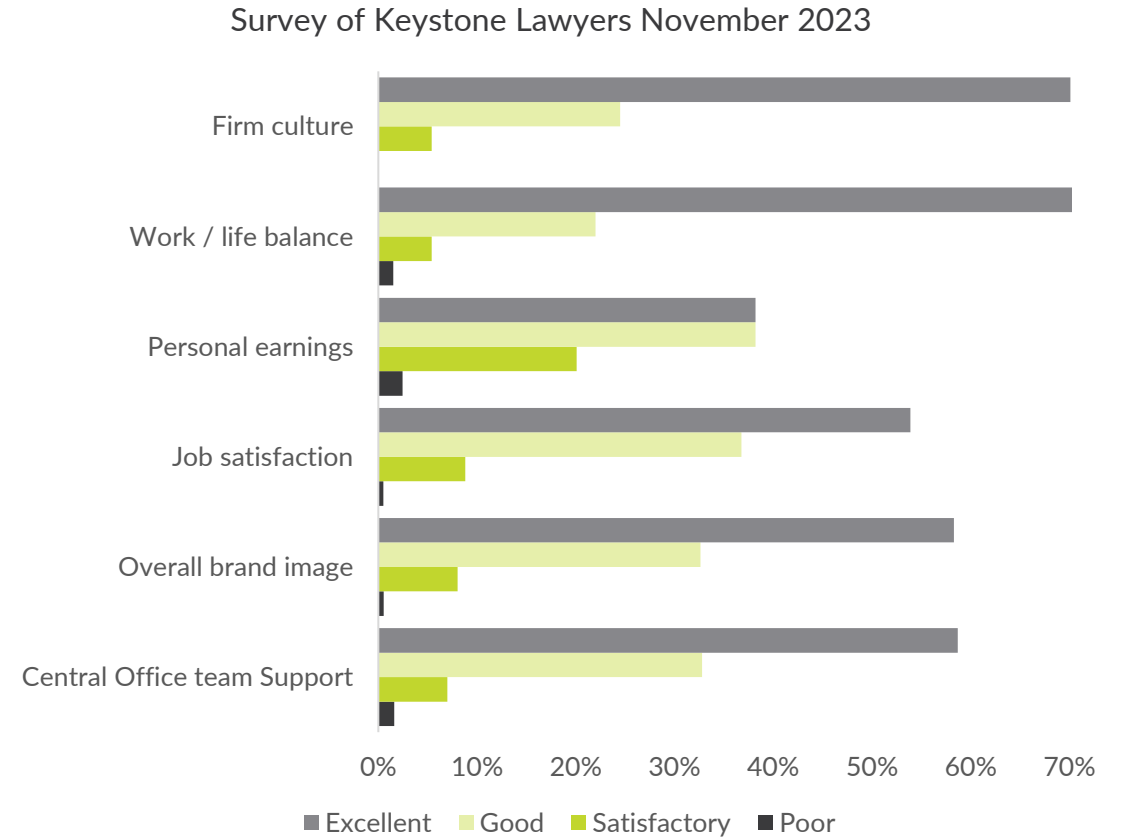
High quality client
meeting rooms

DRIVERS OF GROWTH



WHY LAWYERS JOIN KEYSTONE

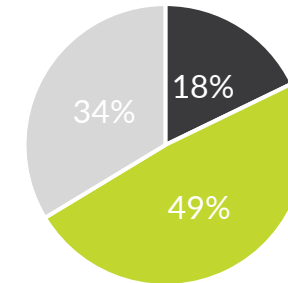
- Ability to focus on legal work and clients
- Avoid management obligations, commuting and politics
- Remuneration structure
- Excellent brand, support and infrastructure
- Freedom, flexibility and autonomy



GROWTH METRICS

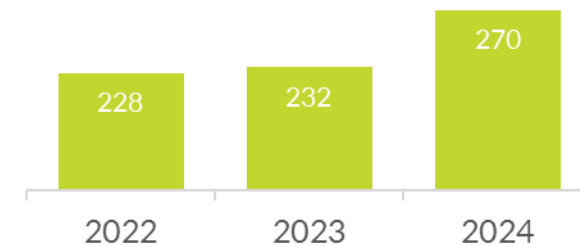
- Continued recruitment of lawyers with client followings
- 270 qualified new applicants 2024
- c20% of applicants join post vetting
- 90% of new lawyers generate sustainable practice
- 5% annual churn across base mainly due to retirement
- Average age of Principals is 52 (For Principals joined 12 months to Jan 24 it is 50)
- Growing revenue per Principal £212k (Y/E Jan 24)
- 432 Principal Lawyers at 31 January 24

Accepted offers by channel 2024



■ Rec Agency ■ Lawyer Referred ■ Direct

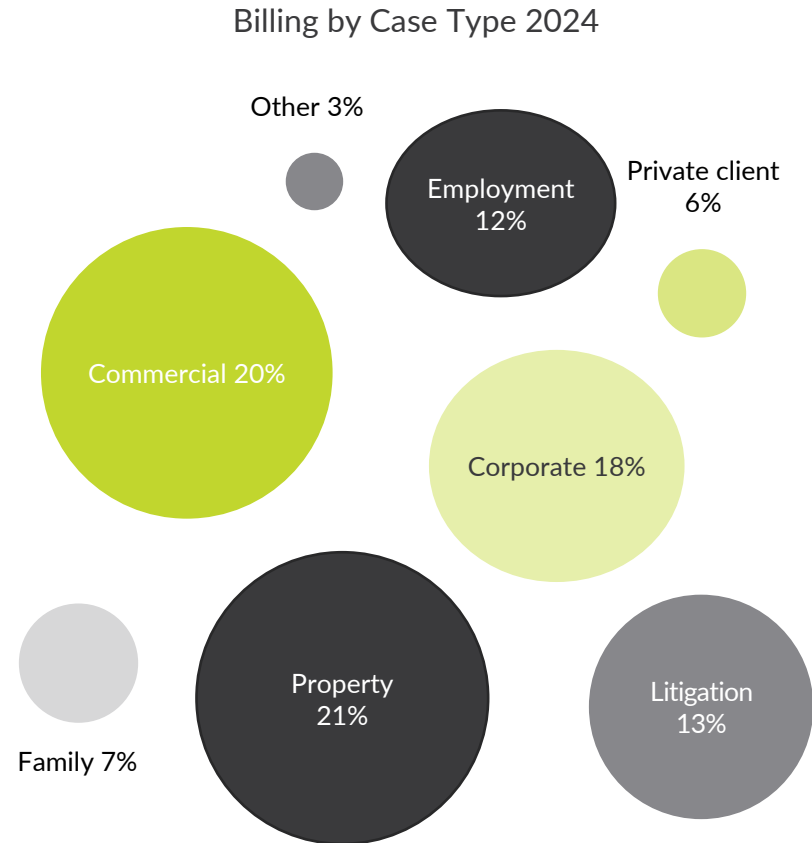
Qualified New Applicants



2024 Recruitment market more favourable following the calming of the “war for talent” experienced across 2022 and 2023

LOW RISK MODEL

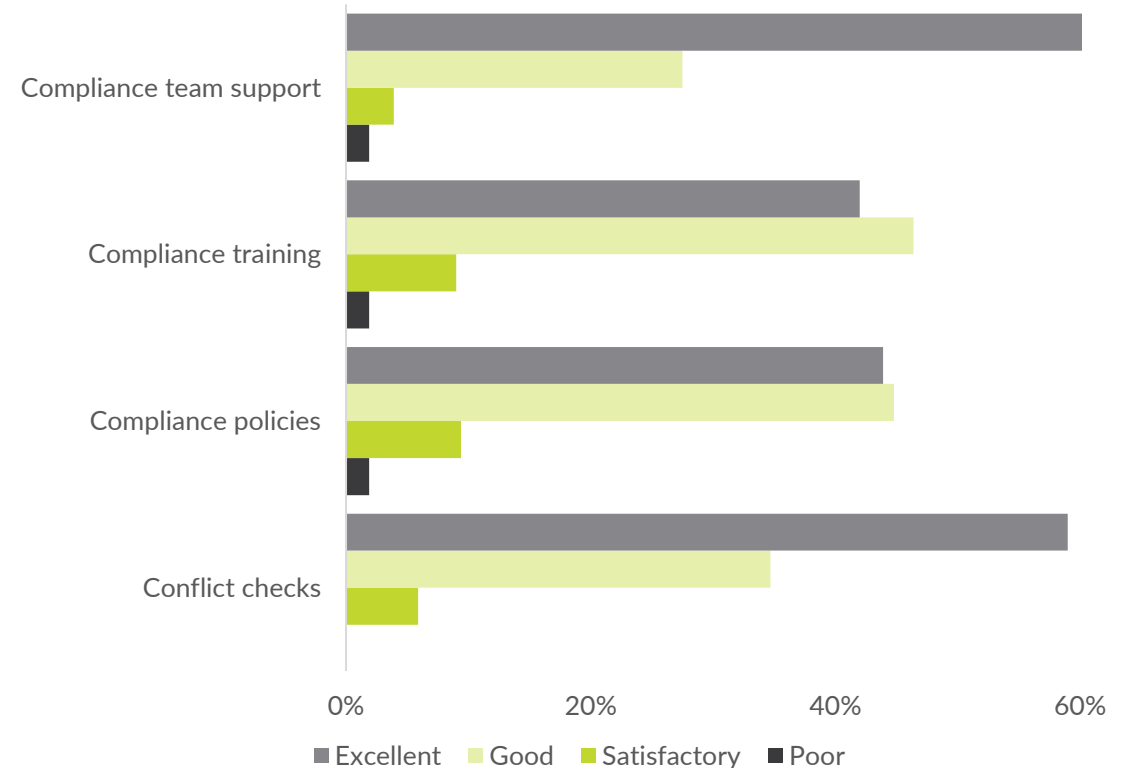
- No client or lawyer dependency – none > 5% recurring revenue
- No dependency on one area of law
8 practice areas
- No dependency on one sector – more than 50 sectors
- Minimal exposure to high-risk legal areas (e.g.: no volume personal injury)



ROBUST RISK MANAGEMENT

- Strategic planning
- Selective recruitment
- Regular training and professional development
- Experienced compliance and risk management team
- Use of technology and exception reporting
- Cap on contractual liability
- Professional Indemnity insurance: £50m cover

Survey of Keystone Lawyers November 2023



SUMMARY

**FAST GROWING,
PROFITABLE LAW FIRM
WITH OPERATIONAL
GEARING ENHANCING
MARGINS**



**OVER £10BN LARGELY ADDRESSABLE MARKET WHICH
IS RIPE FOR DISRUPTION AS LAWYERS SEEK TO**

- Focus on legal work and client needs
- Avoid politics, commuting and management responsibilities
- Have greater control over how they develop their practice
- Improve work life balance and earn more for the work they do



**WELL DIVERSIFIED WITH
NO CLIENT, LAWYER,
SECTOR OR PRACTICE
AREA DEPENDENCY**



**STRONG CASH
GENERATION SUPPORTS
PROGRESSIVE DIVIDEND
POLICY**



ALTERNATIVE STRUCTURE AND SCALABLE MODEL

- Senior lawyers (Principals) are self employed and work from their own offices
- Lawyers paid 75%⁽¹⁾ of billing on paid when paid basis
- Innovative use of technology with a bespoke user friendly IT platform
- Organic growth by recruiting successful lawyers who bring their own client following



**CAPITALISING ON POST
COVID-19 STRUCTURAL
SHIFT IN ATTITUDES TO
REMOTE WORKING**



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