

KEYSTONE LAW

FULL YEAR RESULTS
31 JANUARY 2018

April 2018

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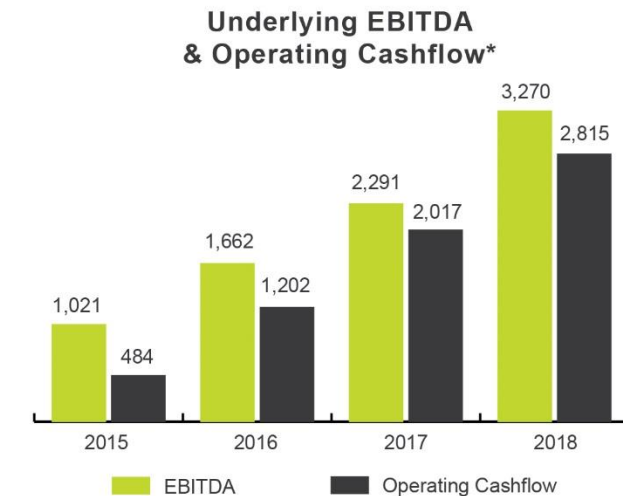
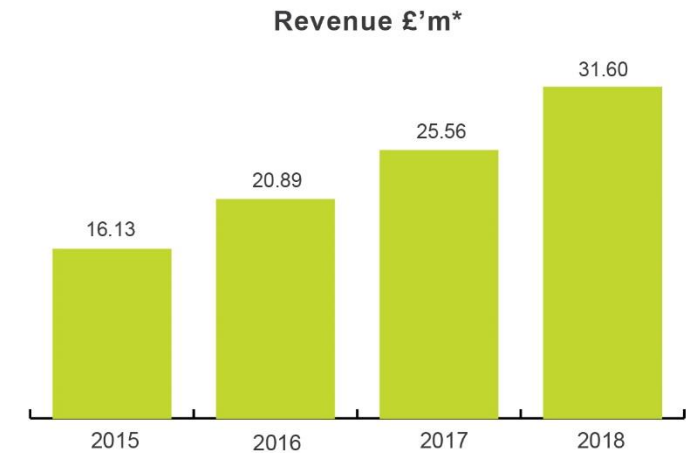
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HIGHLIGHTS

- Admission to AIM 27 November 2017
- Maiden results comfortably ahead of market expectations
- Revenue increased by 23.6% to £31.6m (2017: 25.6m)
- Underlying EBITDA grew 42.7% to £3.3m (2017: £2.3m)
- Continued strong cash conversion
- Proposed dividend of 0.84p in respect of post admission period
- Post IPO business activity has remained strong



2018 Underlying numbers are calculated by adding back the impact of the Flotation. In 2017, underlying figures have been calculated by removing the impact of property relocation (£221k costs)

* Year end 31 January

BUSINESS ACTIVITY POST IPO

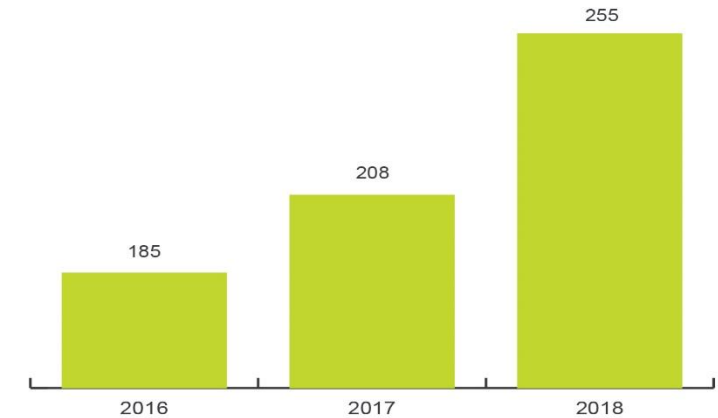
- Lawyer numbers at 31 January 2018 266
- Successfully launched Keyed In (v2) IT platform
- Bolstered business development team with two significant hires
- Opened lawyer centre to accommodate 25 individuals
- Recognised again in Legal Week's Best Legal Advisers report 2018
- Strong recruitment activity



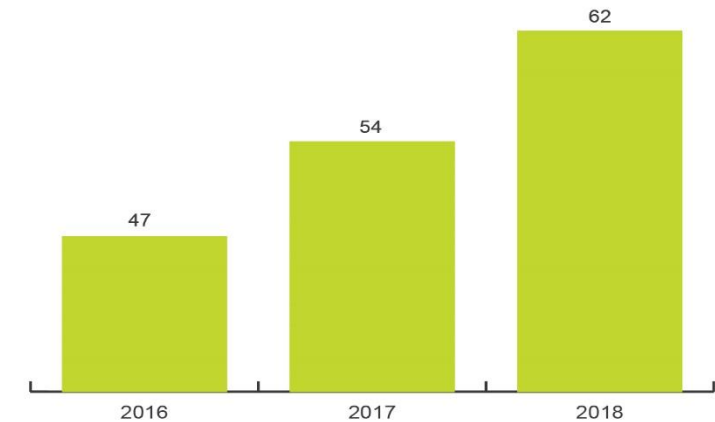
LAWYER RECRUITMENT

- New applicants up 24% on 2017
- Accepted offers up 15% on 2017
- New lawyers joined in the year 51
- Continued interest from multi-lawyer teams
- Increased sophistication of new lawyers and corresponding clients
- Keystone increasingly attractive to lawyers in their prime

New Applicants

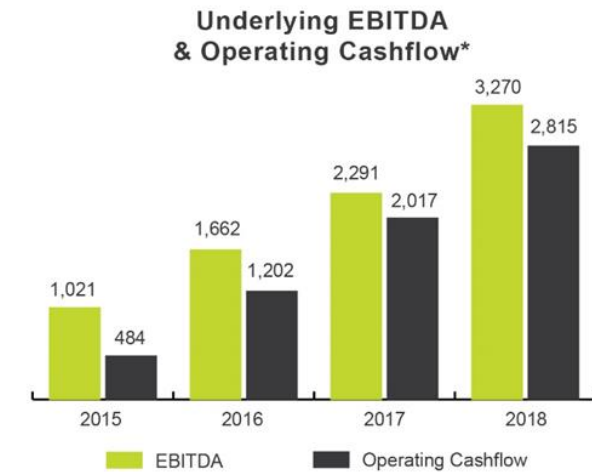
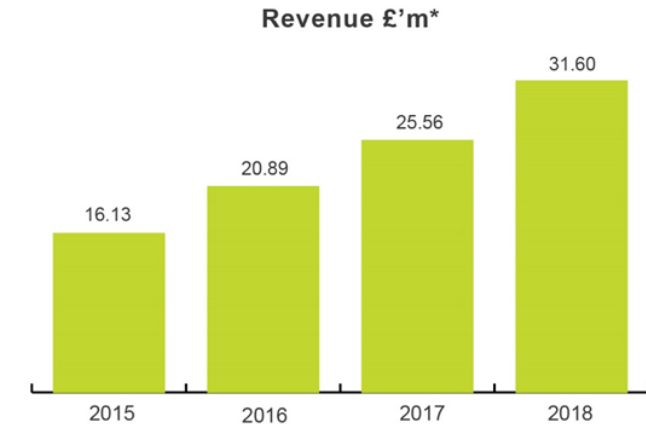


Offers Accepted



FINANCIAL HIGHLIGHTS

- Revenue increased by 23.6% to £31.6m (2017: 25.6m)
- Gross Margin increased to 27.6% (2017: 25.7%)
- Underlying EBITDA grew 42.7% to £3.3m (2017: £2.3m)
- Underlying EBITDA % increased to 10.3% (2017: 9%)
- Underlying EPS 8.1p (2017: 4.6p (based on closing shares 31m))
- PBTA up 63% to £2.9m (2017: £1.8m)
- Underlying Operating cash conversion 86% (2017: 88%)
- Business is debt free and cash positive
- Proposed Dividend 0.84p being 2/3rd PAT (pre Flotation costs) for the post admission period



* 2018 Underlying numbers are calculated by adding back the impact of the Flotation. In 2017, underlying figures have been calculated by adding back the impact of property relocation (£221k costs)

* Year end 31 January

INCOME STATEMENT

Revenue increased 23.6% to £31.6m

GM% increased by 1.9% caused by:

Rate changes 1 Feb 2017: 1.6%

Margin only and internal fee earners work

Overhead costs stepped up due to:

Recruitment fees of NEDs and investment in business development team

New office from 1 February 2017

Post admission effect of PLC costs (£80k)

Underlying EBITDA % up 1.3% to 10.3%

In calculating the underlying EBITDA and underlying operating profit:

1) One off costs caused by double run of properties (£147,000) and dilapidation provision of old property (£75,000) with a total value of £221,000 have been removed from the above to better reflect the underlying business performance for 2017

2) Flotation costs of £603,581 have been added back to the reported financial statements for 31 January 2018

Year ended 31 January £'000	2017 (1)	2018 (2)	2017 - 18 Change
Revenue	25,559	31,600	23.6%
Gross Profit	6,565	8,709	32.7%
GM%	25.7%	27.6%	
Directors Remuneration	(369)	(510)	
Other Staff Costs	(1,491)	(1,595)	
Staff recruitment	(57)	(207)	
Operating lease – property	(168)	(238)	
Other administrative expenses	(2,265)	(2,897)	
Total Operating Costs	(4,350)	(5,448)	25.2%
Operating cost as % of revenue	17.0%	17.2%	
Other operating income	77	8	
Underlying EBITDA	2,292	3,270	42.7%
Underlying EBITDA margin	9.0%	10.3%	
Depreciation	(35)	(31)	
Amortisation	(351)	(351)	
Underlying Operating Profit	1,905	2,887	
Underlying Operating margin	7.5%	9.1%	

CASH FLOW

Year ended 31 January £'000	2017 (1)	2018 (2)
Underlying EBITDA	2,291	3,270
Net effect of accrued income *	(142)	(190)
Other working capital movements	(132)	(265)
Total working capital movements	(274)	(455)
Operating Cashflow	2,017	2,815
Operating cash conversion	88.0%	86.1%

Strong operating cash conversion is inherent within the business model

Proposed dividend of 0.84p per share being 2/3rds PAT (pre flotation costs) in respect of the post admission period

In calculating the underlying EBITDA and underlying operating cashflow:

1) One off costs caused by double run of properties (£147,000) and dilapidation provision of old property (£75,000) with a total value of £221,000 have been removed from the above to better reflect the underlying business performance. Operating cashflow 2017 excludes loss on disposal relating to assets written down when moving properties (£33,000)

2) Flotation costs of £603,581 have been added back to the EBITDA reported financial statements for 31 January 2018. Working capital movements have been adjusted to remove the impact of £221,000 flotation costs which are accrued and unpaid at 31 January 2018

* Net effect of accrued income is calculated by taking the net of the movement in accrued income and the corresponding liability to lawyers which is included within accrued expenses

As at : £'000	31-Jan 2017	31-Jan 2018
Property, plant and equipment	51	50
Intangible assets	7,512	7,161
Available-for-sale financial assets	14	14
Total non current assets	7,577	7,225
Trade and other receivables	9,284	11,995
Cash and cash equivalents	714	3,590
Total current assets	9,998	15,585
Total assets	17,574	22,810
Share capital	0	63
Share premium	428	9,921
Retained earnings	1,030	2,568
Equity attributable to equity holders	1,459	12,552
Borrowings	5,771	0
Deferred tax liabilities	548	477
Total non current liabilities	6,319	477
Trade and other payables	8,339	9,646
Borrowings	1,200	0
Corporation tax liability	183	60
Provisions	75	75
Total current liabilities	9,797	9,781
Total liabilities	16,116	10,258
Total equity and liabilities	17,574	22,810

BALANCE SHEET

Cash positive and debt free

Trade debtor days are 42 (2017: 41)

Intangible Assets are a function of the structuring of Root Capital's investment in October 2014

Share capital restructured and new shares issued as part of AIM admission process which raised £10m new money

Borrowings were repaid out of IPO proceeds

KEYSTONE LAW

BUSINESS OVERVIEW

April 2018

PLC BOARD



JAMES KNIGHT - FOUNDER AND CEO

James founded Keystone in 2002 when he set out to create a new type of law firm. Prior to that he had a 10 year career as a commercial solicitor in London, Hong Kong and Dubai. James now focuses on business development, marketing, international opportunities and other drivers of growth.



ASHLEY MILLER - FINANCE DIRECTOR

Ashley joined Keystone in January 2015 following the PE investment by Root Capital in the business. He is a commercially-orientated finance professional with over 20 years' experience. Having trained with Price Waterhouse, Ashley has spent his career establishing and managing international finance departments for SME businesses operating across the professional services sector.



ROBIN WILLIAMS – NON EXEC CHAIRMAN

Robin is also currently Chairman of Xaar Plc, FIH Group Plc and Stirling Industries Plc as well as NED and Chairman of the audit committee for Van Elle plc. He is a chartered accountant with 30 years experience with listed companies including Hepworth Plc.



SIMON PHILIPS – NON EXEC DIRECTOR

Simon is an experienced entrepreneur in the software and outsourcing sectors and the Managing partner of private equity firm Root Capital. Simon joined the Keystone board following the investment by Root Capital in October 2014. Simon is Chairman of the remuneration committee.



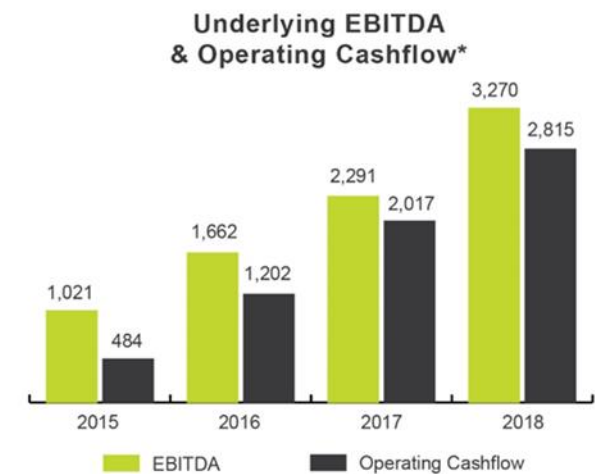
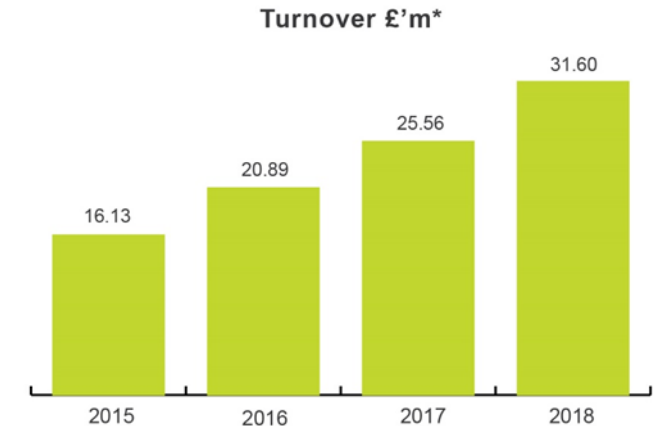
PETER WHITING – SENIOR INDEPENDENT DIRECTOR

Peter is an experienced NED who is currently senior independent NED and Chair of the remuneration committee of FDM Group (Holdings) plc, Microgen plc and TruFin Plc. Earlier in his career he led the UK small and mid-cap research team at UBS and was Chief Operating Officer of UBS European Equity Research from 2007 to 2011. Peter is Chairman of the audit committee.

INTRODUCTION

- Award winning full-service challenger law firm
- Pioneered new platform model: market leader
- Sixth fastest growing law firm in the Top 100 *
- Revenues grown at 25% pa (2015 – 18)
- Highly cash generative and profitable with increasing margins
- Intended dividend 2/3rd PAT Y/E Jan 19 with progressive dividend policy
- Robust, low risk, sustainable and scalable
- Significant market - ready for modern alternative
- Admitted to AIM 27 November 2017

*Source: The Lawyer UK200 report 2017



* Year end 31 January

KEYSTONE'S MARKET

UK Legal Services Market

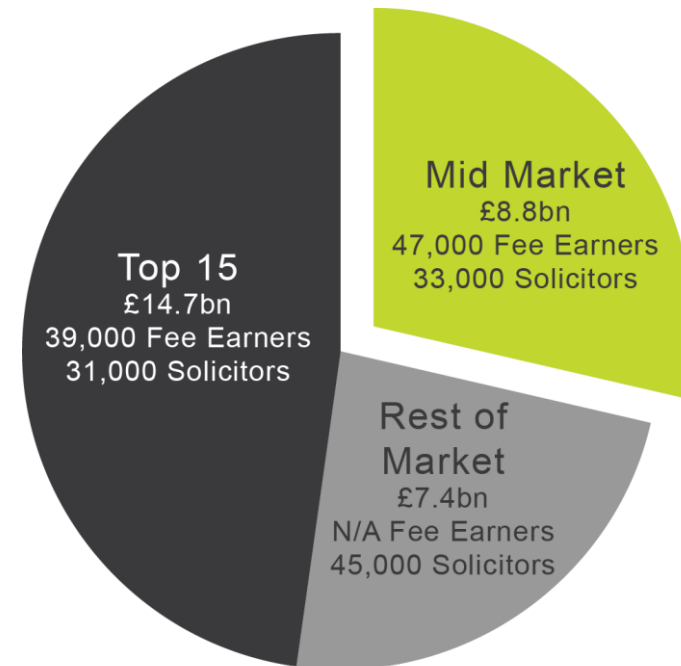
- 2nd largest in the world £30.9 billion revenue p.a. *
- Extremely diverse from Magic Circle to “high street”

UK mid market** for legal services

- £8.8bn revenues p.a.
- Predominantly addressable

Delivered by

- 47,000 fee earners
- Across 185 law firms



* The CityUK – UK Legal Services 2016

** UK Mid market – being The Lawyer Top 200 (ex top 15)

TRADITIONAL MODEL UNDER PRESSURE

- Legislative changes facilitated new models causing disruption
- Difficult economic conditions
- Fee pressure, compounded by increasing overheads (particularly property)
- A commoditised and overcrowded sector
- Typical response: increase billing targets whilst requiring business development and management of firm
- Equity partnership no longer seen as the ultimate goal

LARGE NUMBER OF DISSATISFIED EXPERIENCED LAWYERS LOOKING FOR ALTERNATIVE SOLUTION

KEYSTONE: THE NETWORKED LAW FIRM

- Provides conventional legal services to SMEs and individuals
- High calibre experienced self-employed lawyers operating from own offices
- No fixed salaries: lawyers receive 75% of their billings
- Comprehensive support and risk management by central team
- Scalable proprietary technology drives efficiencies and enables agile working
- Plug and play platform for lawyers with client followings

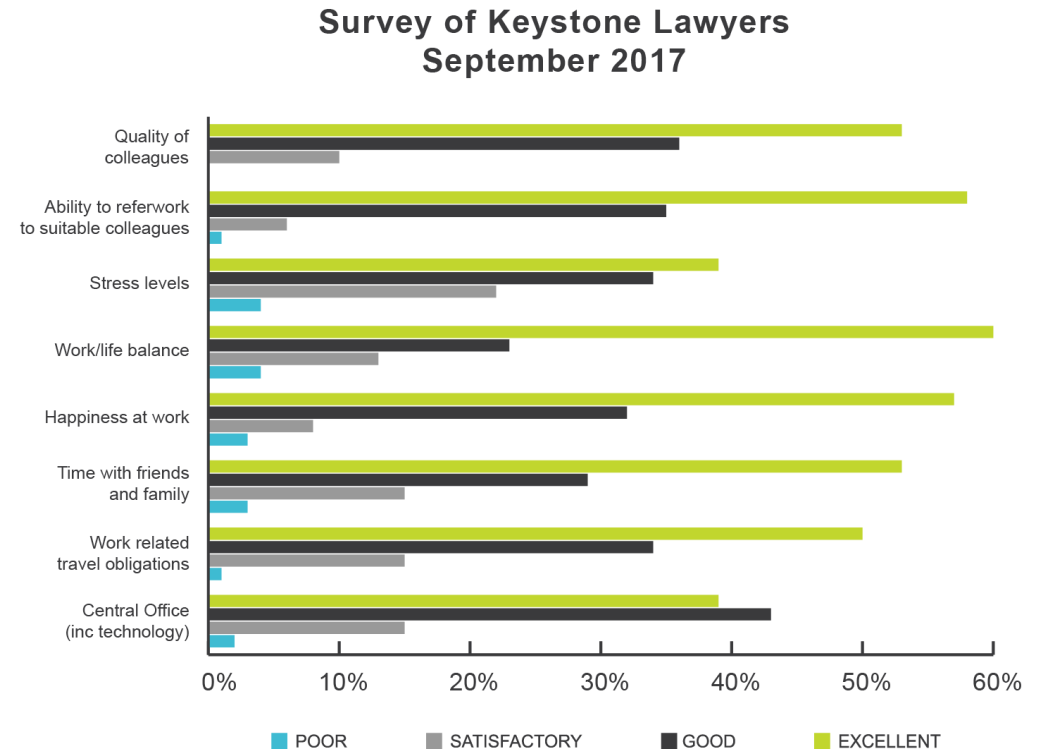
Central team provides:

IT
Brand
Insurance
Compliance
Marketing
Business Development
Paralegals
Admin support
CPD Training
Internal networking events

HIGH QUALITY LAW FIRM CAPITALISING ON MARKET OPPORTUNITY

BENEFITS FOR LAWYERS

- Ability to focus on being a lawyer
- Greater depth and range of colleague experience
- Excellent support services and technology
- Less financial risk
- Enjoyable and flexible working environment
- Enhanced remuneration potential



**KEYSTONE PROVIDES LAWYERS WITH THE FREEDOM, FLEXIBILITY AND AUTONOMY THEY WANT
COMBINED WITH THE SUPPORT AND INFRASTRUCTURE THEY NEED**

DRIVERS FOR CLIENTS

- High quality legal advice and a commercial approach
- Bespoke and attentive service
- Strong coverage in broad range of legal areas
- Value for money and flexible pricing solutions
- Well-respected brand



Only law firm in top 5 of all 11 categories including:

*Quality of legal service
Quality of service delivery
Commercial approach
Value for money*



Keystone Law has 'good knowledge and fast responses and is very good value for money'
Chambers UK

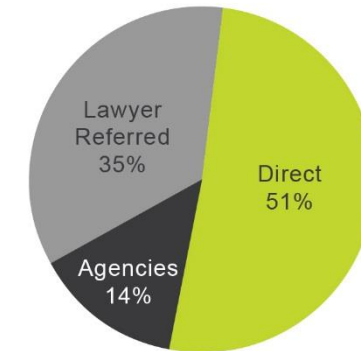


Legal 500
54 lawyers and 21 specialisms
recognised

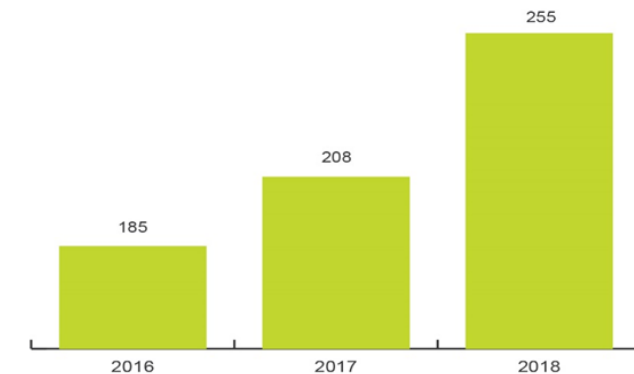
KEY GROWTH METRICS

- Continued recruitment of lawyers with client followings
- 21 new applicants per month in 17/18, up from 17 in FY 16/17
- 28% of applicants join post vetting
- 90% of new lawyers generate sustainable practice
- 5% annual churn across base mainly due to retirement etc
- Average age of lawyers is 50 (joiners in last 12 months 46)
- Average billing per new lawyer £150,000

Source of Joiners 17/18



New Applicants



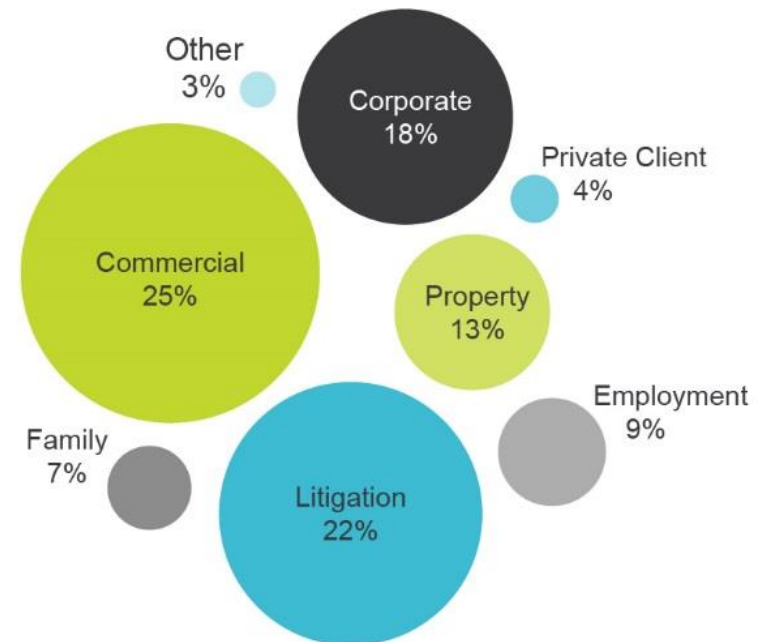
ROBUST, LOW RISK, SUSTAINABLE AND SCALABLE: 2015 - 18 REVENUE CAGR 25%

A LOW RISK BUSINESS MODEL

- Diverse SME client base – no single client > 2%* of turnover
- Diverse lawyer base – no single lawyer > 3.5%* of turnover
- 8 practice areas – no dependency on one area of law
- Over 50 sectors – no dependency on one single sector
- Minimal exposure to high risk legal areas (eg: no volume personal injury)
- Robust risk management

* Aggregate across last three years

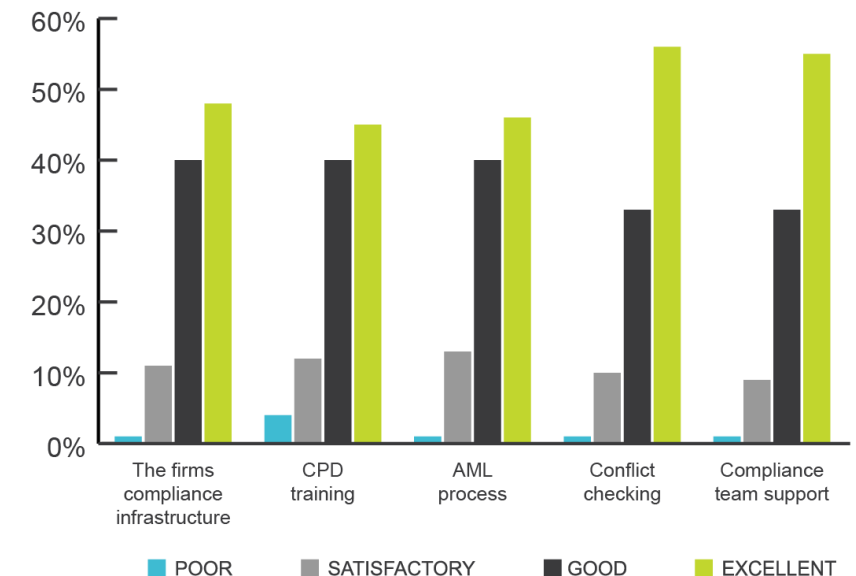
Billing by Case Type - 17/18



MANAGING RISK

- 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: £30m cover

Survey of Keystone Lawyers
September 2017



APPENDICES

EXECUTIVE OPERATING BOARD



JAMES KNIGHT - FOUNDER AND CEO

James founded Keystone in 2002 when he set out to create a new type of law firm. Prior to that he had a 10 year career as a commercial solicitor in London, Hong Kong and Dubai. James now focuses on business development, marketing, international opportunities and other drivers of growth.



ASHLEY MILLER - FINANCE DIRECTOR

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WILLIAM ROBINS – OPERATIONS DIRECTOR

William joined Keystone in 2009. As Operations Director he is responsible for the firm's regulatory compliance and legal procedures. Prior to joining Keystone he practiced as a corporate lawyer in a City firm.



MARK MACHRAY - RECRUITMENT

Mark joined Keystone in 2010, originally as a consultant solicitor and subsequently in the capacity of business development and then head of recruitment. Mark has garnered an excellent understanding of what makes Keystone work for lawyers and what makes a lawyer work for Keystone. As such he is uniquely qualified for his role in driving Keystone's lawyer recruitment.



KRISTINA OLIVER – MARKETING

Kristina joined Keystone in July 2013 as the firm moved to develop a dedicated professional marketing team. With over 15 years' experience working with law firms, entrepreneurial organisations and well known consumer brands she has built a commercial, responsive and award winning marketing team. Kristina works across the firm developing and implementing strategies to raise brand profile, attract new lawyers to the firm and support them in winning new business.



MAURICE TUNNEY – IT

Maurice joined Keystone in October 2014 to drive forward the ongoing investment in technology by implementing next generation tools and facilities. He is an IT professional with over 20 years' experience, 15 of those garnered within well-known law firms. Maurice has managed multinational, multi-jurisdictional teams and projects to deliver efficiencies at all levels of the business.

IPO - SUMMARY

- Rationale - drive growth through:
 - Enhanced brand recognition and kudos
 - Accelerating client and lawyer acquisition
- £10m raised via placing of new shares
 - £7.4m loan notes repaid
 - IPO costs £1m
- £5m sell-down of shares as significantly oversubscribed
- Lock-ins – 12 months hard and 12 months orderly market
- Admitted to AIM 27 November 2017

Shareholders at 17 April 2018

(Holdings >3%)

	No of Shares	% Holding
James Knight	11,832,127	37.8%
Root Capital Fund II LP	7,075,000	22.6%
William Robins	1,563,698	5.0%
River & Mercantile Asset Mg	1,500,000	4.8%
Cavendish Asset Mgt	1,406,000	4.5%
The Stancroft Trust Ltd	1,257,163	4.0%
FIL Investment International	1,028,000	3.3%

Loan note holders on IPO

£'m

James Knight	4
Root Capital Fund II LP	2.6
William Robins	0.4
Charles Stringer	0.4

Total

7.4

KEYSTONE LAW