

The logo features a dark grey background with a lime green diagonal stripe running from the top right to the bottom left. The text is centered and reads:

KEYSTONE LAW

FINAL RESULTS

YEAR ENDED 31 JANUARY 2019

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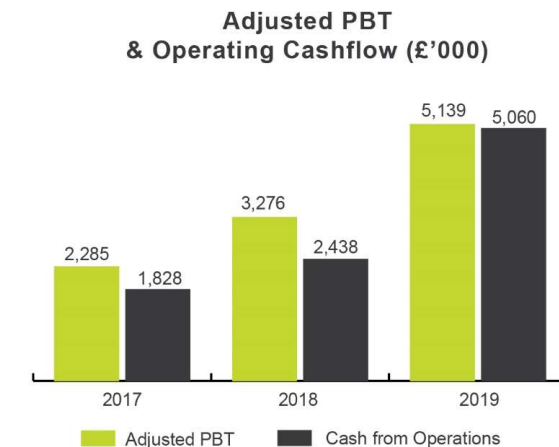
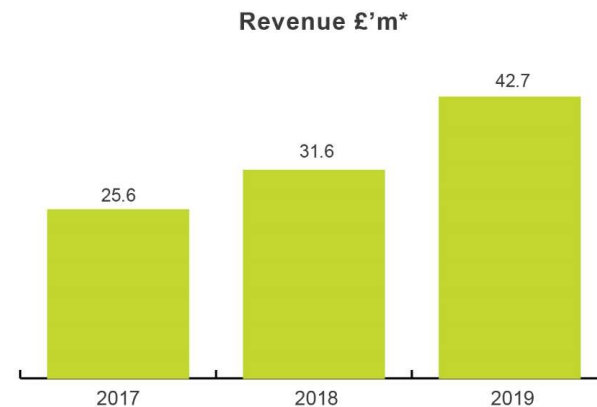
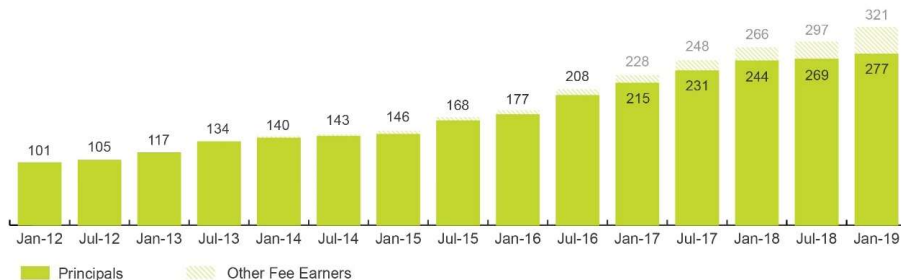
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HIGHLIGHTS

- Revenue increased by 35% to £42.7m (2018: £31.6m)
- Adjusted PBT grew 57% to £5.1m (2018: £3.3m)
- Continued strong cash conversion
- Proposed final dividend of 6.5p – total 9.0p
- Traded ahead of expectations
- Business activity remains strong



* Adjusted PBT is calculated by adding back amortisation costs in both periods, share based payments in 2019 and flotation costs and loan note interest in 2018.

* Year ended 31 January

BUSINESS ACTIVITY

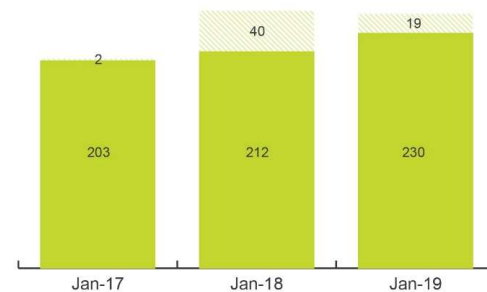
- Lawyer recruitment strong
- Principal Lawyer numbers at 31 January 2019 277 – Up 33 on January 2018
- Increased number of Principals recruiting fee earners to support them (17 v 5)
- Demand for central office employed lawyers also increasing
- Total fee earners of 321 up 55 from January 2018
- New initiatives to provide enhanced IT security delivered
- Industry and client recognition:
 - Nominated for Law Firm of the Year in the Lawyer Magazine Awards
 - Recognised in Legal Week – Best Legal Adviser



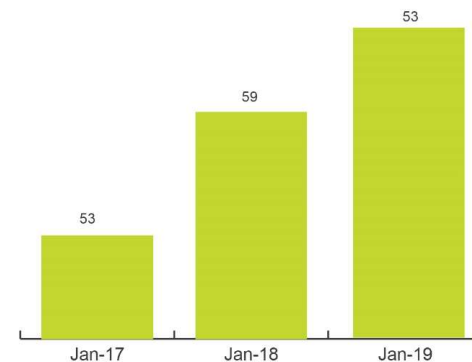
LAWYER RECRUITMENT

- New applicants through established channels up 8.5% to 230 (2018: 212)
- New social media channel tested since 2018 – generated qualified applicants but didn't convert successfully
- Accepted offers by Principals up 6.8% to 63 (2018: 59)
- New principal lawyers joined in the period 55 (net 33)
- 15 principal lawyers recruited 26 pod members (net 20)
- Recruitment pipeline strong both in number and calibre of lawyers

New Applicants



Offers Accepted



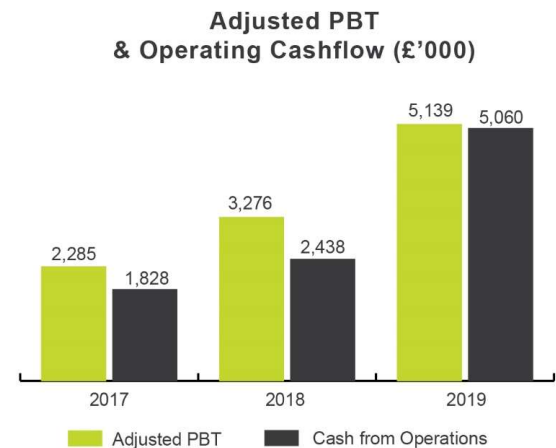
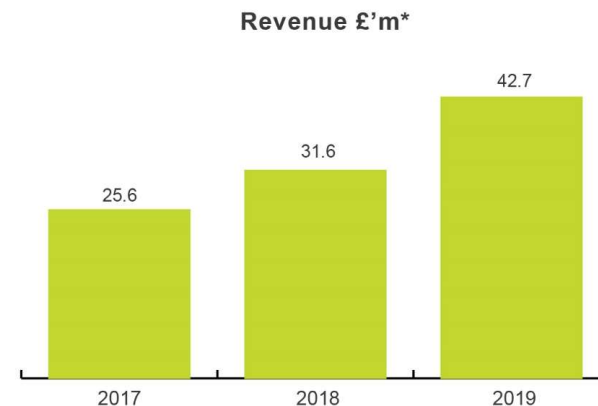
FINANCIAL HIGHLIGHTS

- Revenue increased by 35.1% to £42.7m (2018: £31.6m)
- Adjusted PBT up 56.8% to £5.1m (2018: £3.3m)
- Adjusted PBT % increased to 12.0% (2018: 10.4%)
- Adjusted EPS 13.4p (2018: 9.4p)
- Operating cash conversion 91% (2018: 91%)
- Net cash £6.3m (2018: £3.6m)
- Proposed Final Dividend 6.5p per share – payable 12 July 2019
- Total Dividend for year 9.0p as per on basis set out at IPO

Year ended 31 January £'000	2018 (2)	2019	2018 -19 Change
Adjusted PBT	3,276	5,139	56.8%
Amortisation	(351)	(351)	
Share based payments	-	(43)	
Flotation costs	(604)	-	
Loan Note Interest	(390)	-	
Reported PBT	1,932	4,745	145.5%

¹ On IPO the Group stated that it intended to pay a dividend of 2/3rds PAT for year ending 31 January 2019 with a progressive dividend policy thereafter.

² Amortisation relates to goodwill generated on Root Capital investment in Keystone in October 2014.



* Year ended 31 January

INCOME STATEMENT

7

- Revenue increased 35.1% to £42.7m
- Gross Margin of 27.1%
- Staff costs :
 - Invested in growth & development team with two significant hires (£0.2m). Remaining increase 7.9%)
- Other administrative expenses:
 - Full year PLC costs £0.2m. Remaining increase 17.3%
- Adjusted PBT increased 56.9% to £5.1m
- Adjusted PBT Margin of 12% (2018: 10.4%)
- Effective CT rate 19.8% (2018: 17.8% included non recurring items)
- Adjusted EPS increased from 9.4p to 13.4p

Year ended 31 January £'000	2018 (2)	2019	2018 -19 Change
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Loan Note Interest	(390)	-	
Reported PBT	1,932	4,745	145.5%

Year ended 31 January £'000	2018	2019	2018 -19 Change
Revenue	31,600	42,689	35.1%
Gross Profit	8,709	11,582	33.0%
GM%	27.6%	27.1%	
Staff Costs	(2,105)	(2,446)	16.2%
Operating lease expense – property	(238)	(281)	17.8%
Other administrative expenses	(3,104)	(3,868)	24.6%
Depreciation	(31)	(34)	9.1%
Administrative Expenses	(5,480)	(6,629)	21.0%
Other operating income	8	73	767.0%
Net Finance Income	38	113	
Adjusted PBT	3,276	5,139	56.8%
Adjusted PBT%	10.4%	12.0%	
Corporation Tax	(345)	(938)	
Basic & Fully Diluted EPS (p)	6.0	12.2	
Adjusted Basic & Fully Diluted EPS (p)	9.4	13.4	

As at : £'000	31-Jan 2018	31-Jan 2019
Property, plant and equipment	50	56
Intangible assets	7,161	6,810
Available-for-sale financial assets	14	14
Total non current assets	7,225	6,880
Trade and other receivables	11,995	14,511
Cash and cash equivalents	3,590	6,344
Total current assets	15,585	20,854
Total assets	22,810	27,734
Share capital	63	63
Share premium	9,921	9,921
Share based payments reserve	0	43
Retained earnings	2,568	5,331
Equity attributable to equity holders	12,552	15,358
Deferred tax liabilities	477	407
Total non current liabilities	477	407
Trade and other payables	9,646	11,665
Corporation tax liability	60	210
Provisions	75	94
Total current liabilities	9,781	11,969
Total liabilities	10,258	12,377
Total equity and liabilities	22,810	27,734

BALANCE SHEET

- Cash positive and debt free; net cash £6.3m
- Trade debtor days are 40 (2018: 42)
- Intangible Assets are a function of the structuring of Root Capital's investment in October 2014
- Share based payments reserve recognises cost from issue of shares under LTIP
- IFRS16 will impact reporting from next year bringing leases on balance sheet. Main changes to current balance sheet will be:
 - a) Assets for own use : £0.75m
 - b) Borrowings (current) : £(0.3)m
 - c) Borrowings (non current): £(0.5)m

Year ended 31 January £'000	2018	2019
Profit before tax	1,932	4,745
Non cash movements	733	316
	2,666	5,061
Net effect of accrued income *	(190)	(281)
Other working capital movements	(37)	(197)
Total working capital movements	(227)	(478)
Cash generated from operations	2,439	4,582
Operating cash conversion	91%	91%
Interest received / (paid)	38	113
Corporation tax paid	(538)	(857)
CAPEX	(31)	(40)
Cash flow pre financing activities	1,908	3,798
Proceeds from issue of shares	9,505	0
Repayments of other borrowings	(8,538)	0
Dividends paid	0	(1,045)
Net Cash flow	2,876	2,754
Closing Cash	3,590	6,344

CASH FLOW

- Strong operating cash conversion - inherent to business model
- Dividend paid is the final dividend of 2018 paid in respect of the post admission period and interim dividend for current year.

SUMMARY AND OUTLOOK

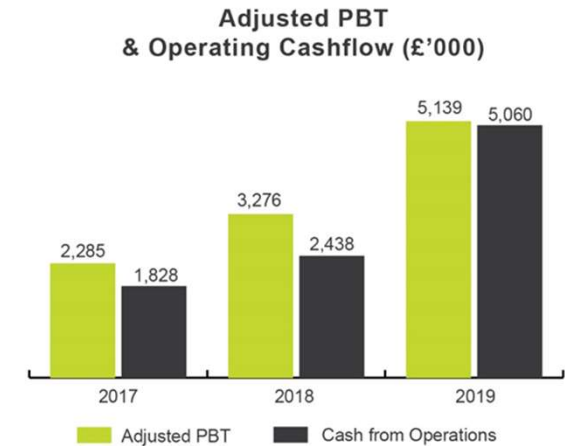
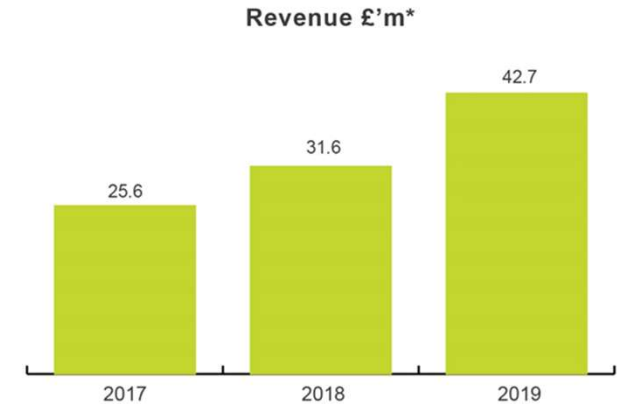
- A successful first full year as a public company
- Performance ahead of expectation
- Dividend being paid as per IPO statement
- Current year started well and confident about the future

KEYSTONE LAW

BUSINESS OVERVIEW

OVERVIEW

- Award winning full-service challenger law firm
- Pioneered new platform model: market leader
- Top 10 fastest growing law firm in the Top 100 * 2017 & 2018
- Revenues grown at 27% pa (2016 – 19)
- Highly cash generative and profitable with increasing margins
- Progressive dividend policy paying 2/3rd Adjusted PAT **
- Robust, low risk, sustainable and scalable
- Significant market - ready for modern alternative
- Admitted to AIM 27 November 2017



* Year end 31 January

KEYSTONE'S MARKET

UK Legal Services Market

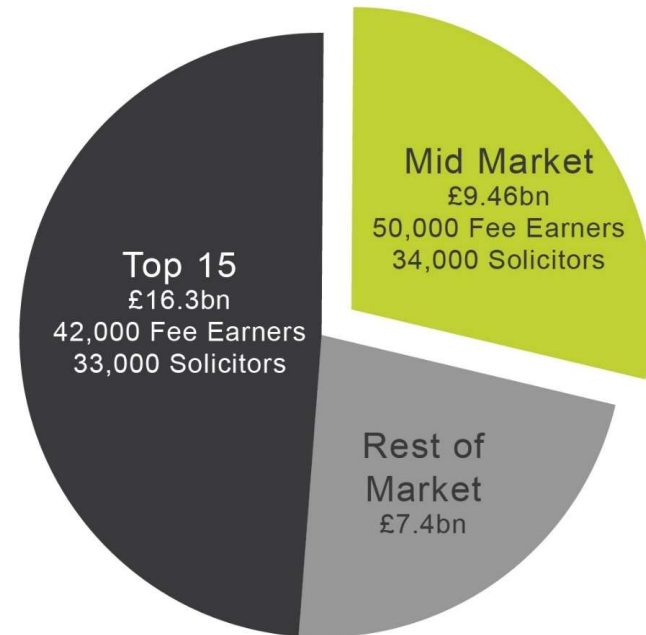
- 2nd largest in the world £33.4 billion revenue p.a. *
- Extremely diverse from Magic Circle to “high street”

UK mid market** for legal services

- £9 bn revenues p.a.
- Predominantly addressable

Delivered by

- 50,000 fee earners
- Across 185 law firms



* The CityUK – UK Legal Services 2018

** 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

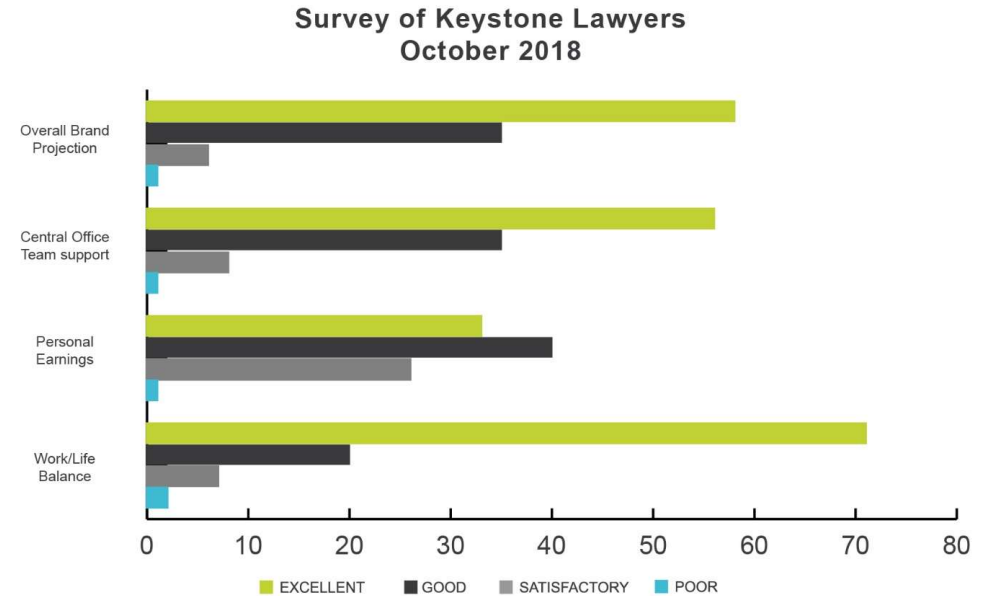
Central team provides:

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
- Enhanced remuneration potential & less risk
- Enjoyable and flexible working environment



**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*



*'The innovative business model
allows for a flawless service, first rate
advice and a pragmatic approach'*
Legal 500

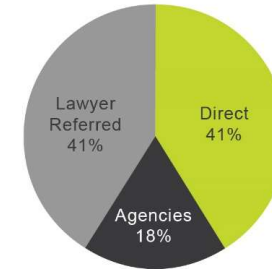


Legal 500
63 lawyers and 27 Practice
specialisms recognised

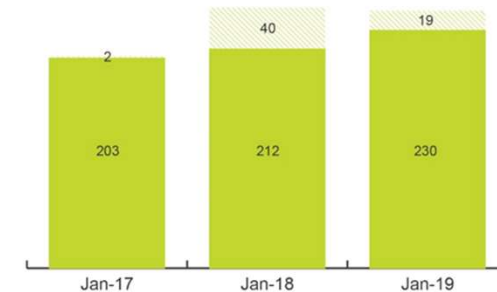
KEY GROWTH METRICS

- Continued recruitment of lawyers with client followings
- 19.2 new applicants from established channels per month in 18/19, up from 17.7 in 17/18
- 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 (Principals joined 12 months to Jan 19 47)
- Average billing per new lawyer £150,000

Source of Joiners



New Applicants

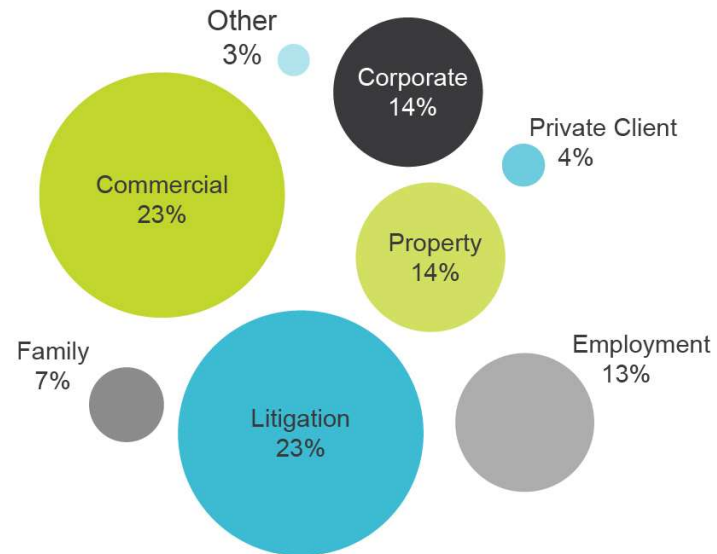


ROBUST, LOW RISK, SUSTAINABLE AND SCALABLE: 2016 - 19 REVENUE CAGR 27%

A LOW RISK BUSINESS MODEL

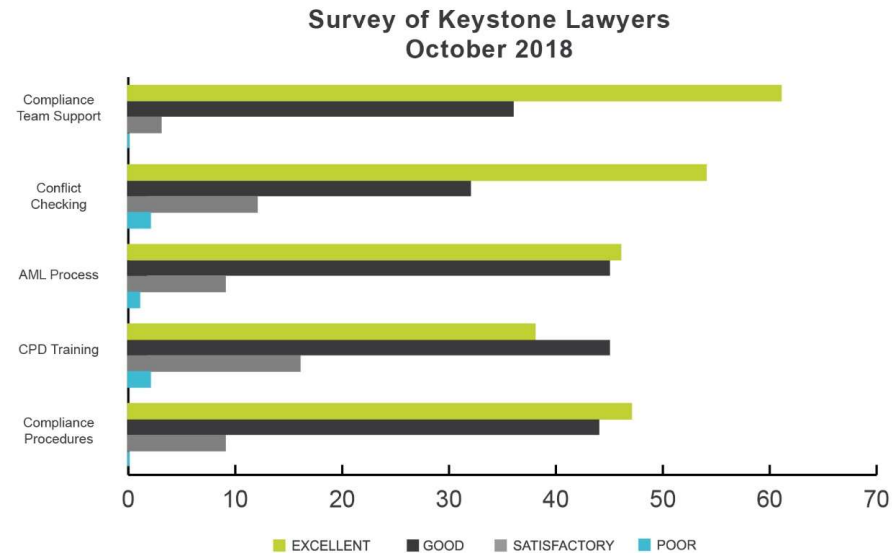
- No client or lawyer dependency (none > 5% recurring revenue)
- 8 practice areas – no dependency on one area of law
- Over 50 sectors – no dependency on one single sector
- Minimal exposure to high risk legal areas (eg: no volume personal injury)
- Robust risk management

Billing by Case Type - 18/19



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: £35m cover



APPENDICES

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, as well as NED of D4T4 Solutions 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.

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

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.



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.

KEYSTONE LAW