

The slide features a dark grey background with a bright yellow-green diagonal stripe running from the top right to the bottom left. The text is centered and uses a mix of white and yellow-green colors.

KEYSTONE LAW

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 JULY 2018
(H1 – 2019)

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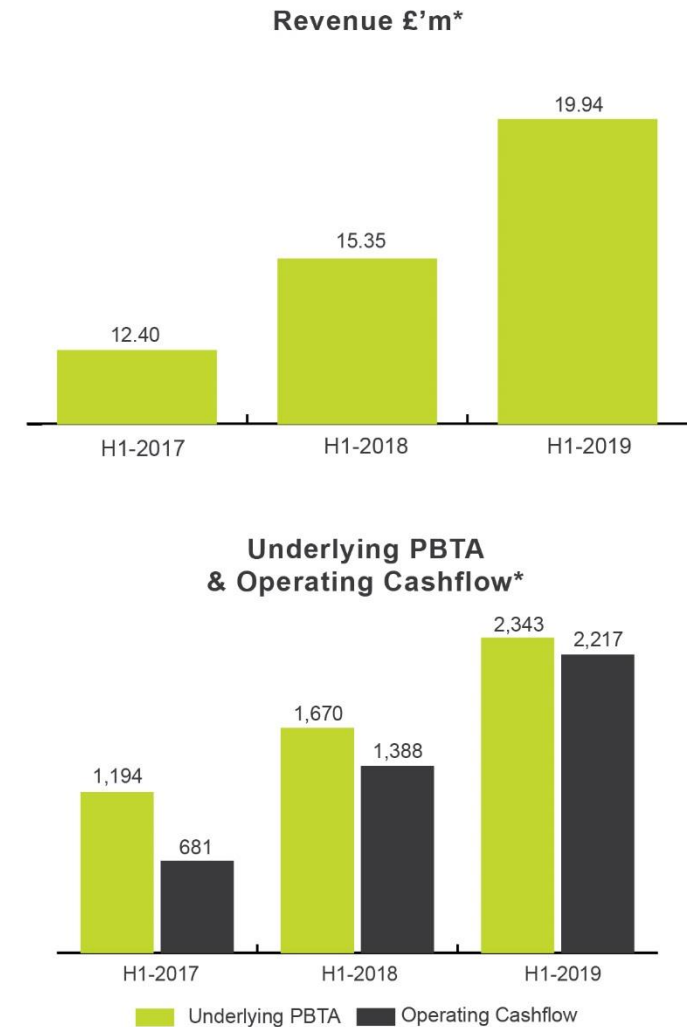
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HIGHLIGHTS

- Revenue increased by 29.9% to £19.9m (H1 2018: £15.3m)
- Underlying PBTA grew 40.3% to £2.3m (H1 2018: £1.7m)
- Continued strong cash conversion
- Interim dividend of 2.5p
- First half has traded ahead of expectations
- Business activity remains strong
- Confident in second half

* Underlying PBTA is calculated by adding back amortisation costs in both periods and loan note interest in the prior period.



* 6 Months ended 31 July

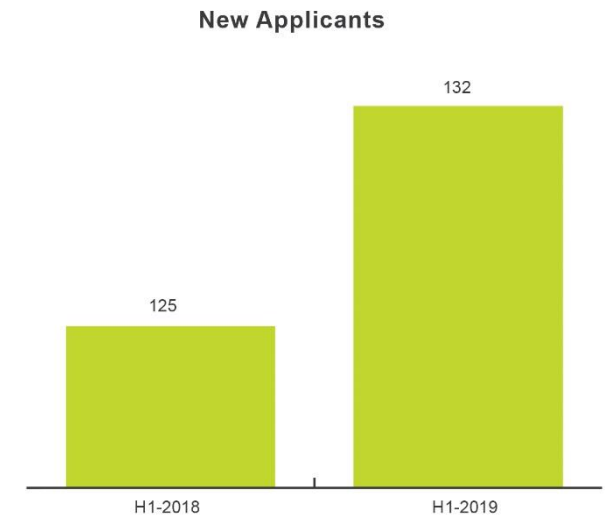
BUSINESS ACTIVITY

- Strong recruitment activity
- Lawyer numbers at 31 July 2018 297 – Up 31 on January 2018
- New initiatives to provide enhance IT security delivered
- Market continues to move in our favour
- Industry and client recognition:
 - Nominated for Law Firm of the Year in the Lawyer Magazine Awards
 - Recognised in Legal Week – Best Legal Adviser



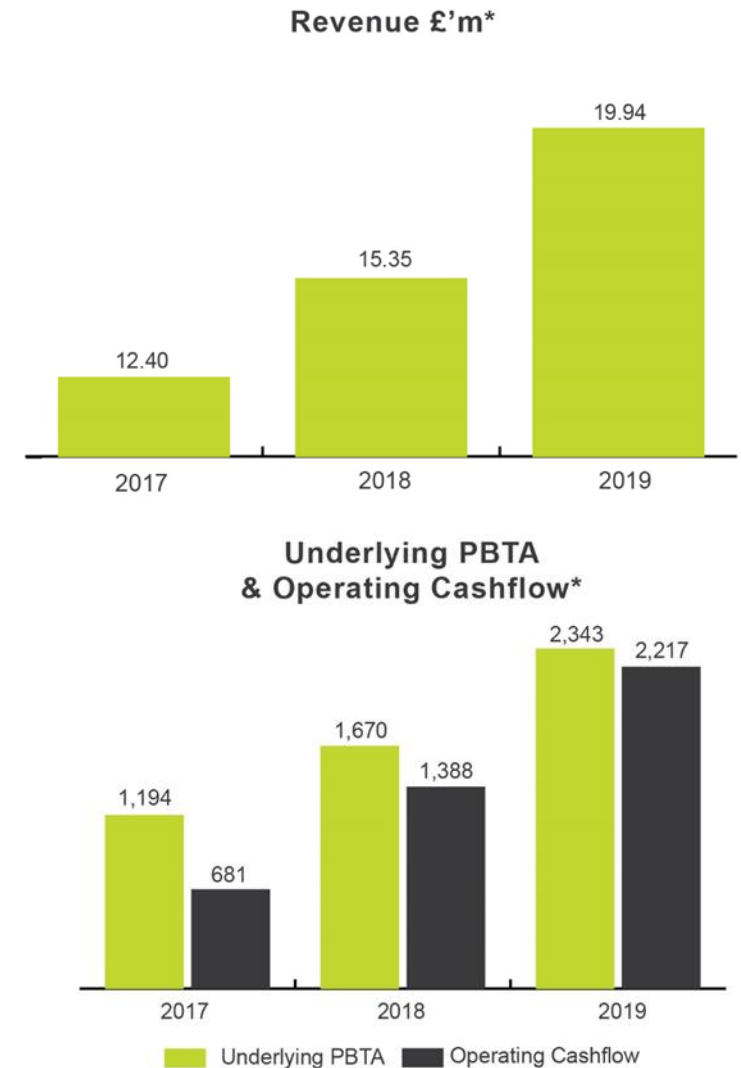
LAWYER RECRUITMENT

- New applicants up 6% to 132 (H1 2018: 125)
- Accepted offers up 9% to 36 (H1 2018: 33)
- New lawyers joined in the period 42 (net 31)
- Keystone increasingly attractive to lawyers in their prime
- More lawyers joining who are looking to take on juniors



FINANCIAL HIGHLIGHTS

- Revenue increased by 29.9% to £19.9m (H1 2018: £15.3m)
- Gross Margin of 27% (H1 2018: 27.1%)
- Underlying PBTA up 40.3% to £2.3m (H1 2018: £1.7m)
- PBTA % increased to 11.75% (H1 2018: 10.9%)
- Underlying EPS 6.0p (H1 2018: 4.6p**)
- Underlying Operating cash conversion 95.8% (H1 2018: 82.4%)
- Debt free and cash positive
- Interim Dividend 2.5p per share – payable 26 October 2018



• Underlying numbers are calculated by adding back amortisation to both periods and loan note interest in the prior period.

** H1 EPS calculated on post IPO no. of shares : 31m

* Period ended 31 July

INCOME STATEMENT

- Revenue increased 29.9% to £19.9m
- Gross Margin of 27%
- Underlying PBTA* up 40.3% to £2.3m
- Underlying PBTA* Margin of 11.8% (H1 2018: 10.9%)
- Underlying EPS** increased from 4.6p to 6.0p (based on 31m shares)

*Underlying PBTA has been calculated by taking PBT and adding back amortisation in both periods and loan note interest in the prior period

**Underlying EPS has been calculated by taking earnings and adding back amortisation in both periods and loan note interest in the prior period and using the post admission shares in issue for both periods.

Period ended 31 July £'000	H1 2018 (1)	H1 2019 (2)	H1 2018 -19 Change
Revenue	15,348	19,940	29.9%
Gross Profit	4,164	5,380	29.2%
GM%	27.1%	27.0%	
Staff costs	(1,061)	(1,167)	9.9%
Operating lease – property	(141)	(151)	7.4%
PLC Costs		(164)	
Other administrative expenses	(1,279)	(1,616)	26.4%
Total Operating Costs	(2,481)	(3,099)	24.9%
Operating cost as % of revenue	16.2%	15.5%	
Other operating income	2	33	
Depreciation	(14)	(16)	
Amortisation	(175)	(175)	
Finance Income	17	51	
Finance Costs	(266)	(6)	
Profit before tax	1,246	2,168	74.0%
Underlying PBTA *	1,670	2,343	40.3%
Underlying PBTA Margin	10.9%	11.8%	
Underlying EPS **	4.60	6.00	

As at : £'000	31-Jul 2017	31-Jul 2018
Property, plant and equipment	41	44
Intangible assets	7,337	6,986
Available-for-sale financial assets	14	14
Total non current assets	7,392	7,043
Trade and other receivables	10,716	11,805
Cash and cash equivalents	1,893	5,312
Total current assets	12,609	17,117
Total assets	20,001	24,160
Share capital	0	63
Share premium	428	9,921
Retained earnings	2,036	4,016
Equity attributable to equity holders	2,465	14,000
Borrowings	5,771	0
Deferred tax liabilities	522	442
Total non current liabilities	6,293	442
Trade and other payables	9,724	9,348
Borrowings	1,200	0
Corporation tax liability	243	285
Provisions	75	86
Total current liabilities	11,242	9,719
Total liabilities	17,536	10,161
Total equity and liabilities	20,001	24,160

BALANCE SHEET

- Cash positive and debt free; net cash £5.3m
- Trade debtor days are 34 (July 2017: 39)
- 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 IPO which raised £10m new money
- Borrowings were repaid out of IPO proceeds

CASH FLOW

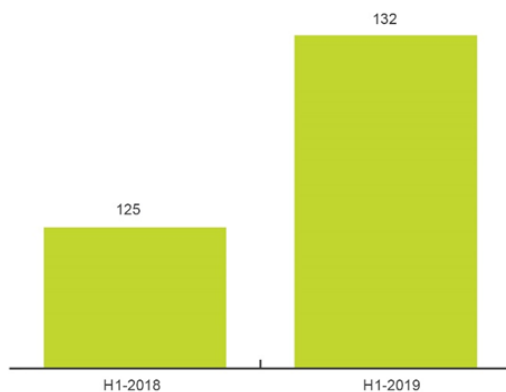
6 Months Ended 31 July £'000	H1 2018	H1 2019
EBITDA	1,685	2,315
Total working capital movements	(297)	(98)
Operating Cashflow	1,388	2,217
Operating cash conversion	82.4%	95.8%
Net Interest received	10	45
Corporation tax paid	(214)	(267)
Capex	(5)	(10)
Dividend paid	0	(263)
Net Cashflow	1,178	1,722

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

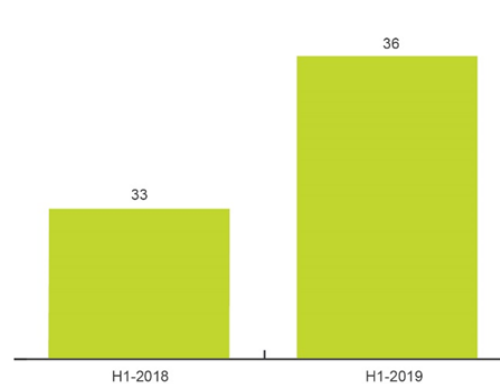
SUMMARY AND OUTLOOK

- First half has traded ahead of expectations
- Business activity remains strong
- Confident in the second half performance

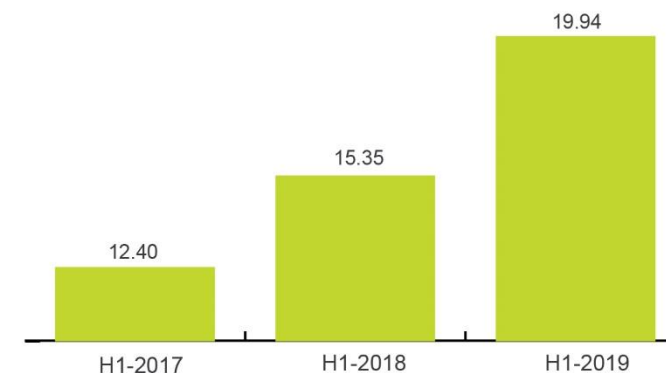
New Applicants



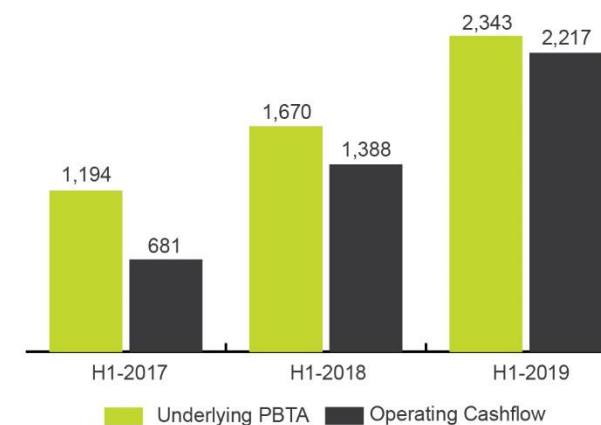
Offers Accepted



Revenue £'m*



Underlying PBTA
& Operating Cashflow*



* 6 Months ended 31 July



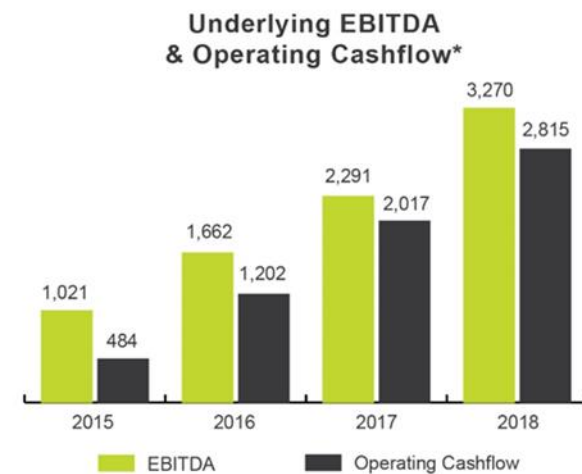
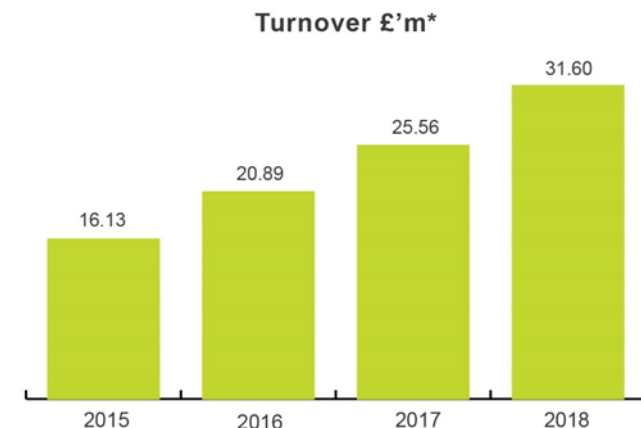
KEYSTONE LAW

BUSINESS OVERVIEW

OVERVIEW

- 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

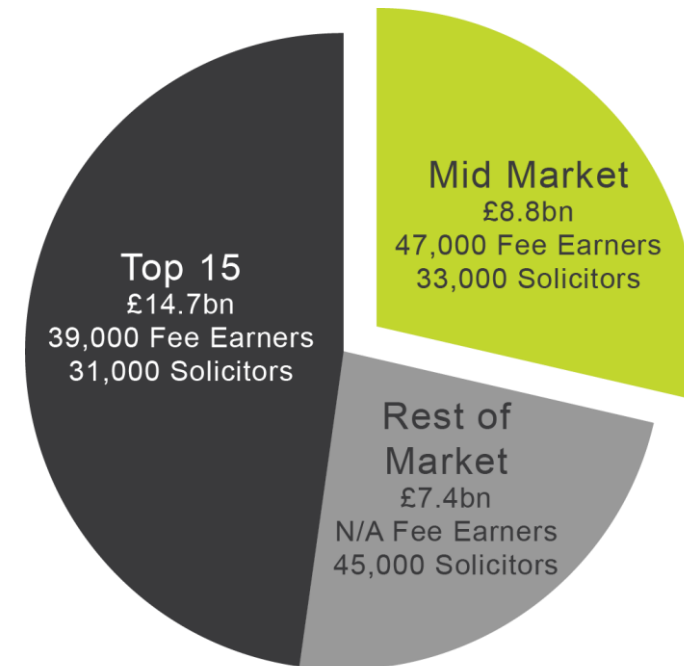
- 2nd largest in the world £30.9 billion revenue p.a. *
- Extremely diverse from Magic Circle to “high street”

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

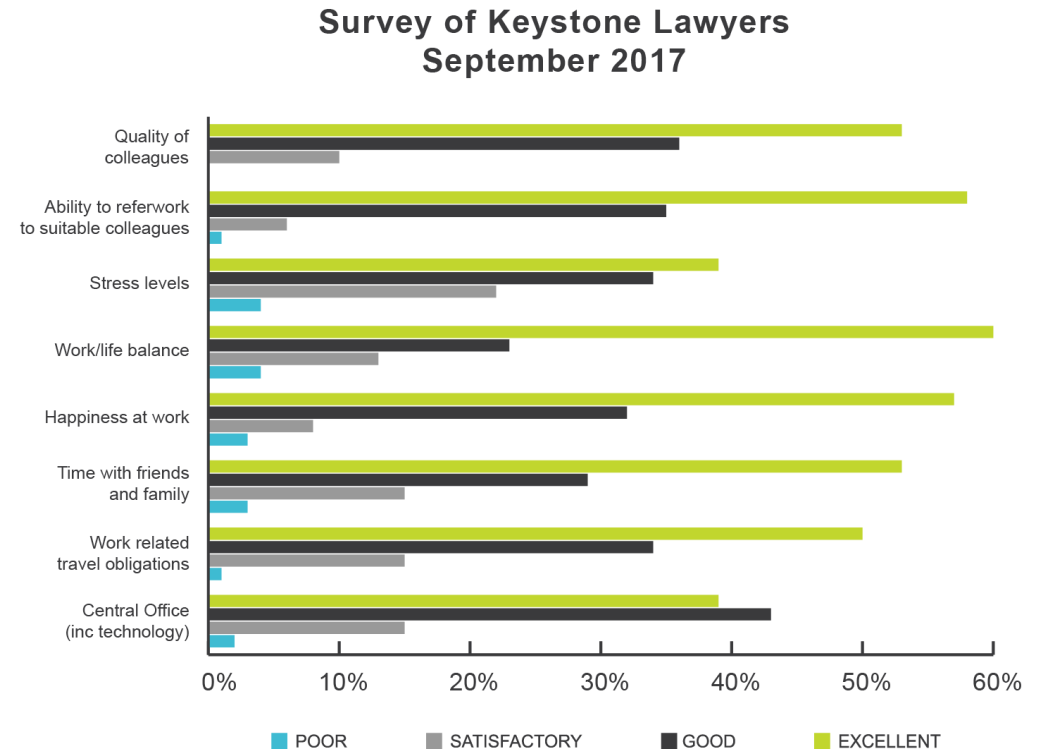
Central team provides:

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

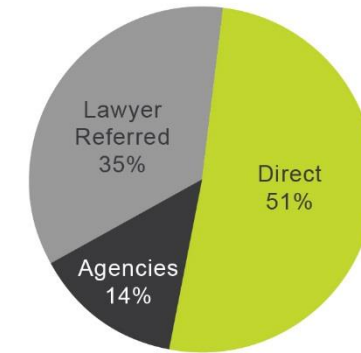


Legal 500
54 lawyers and 21 specialisms
recognised

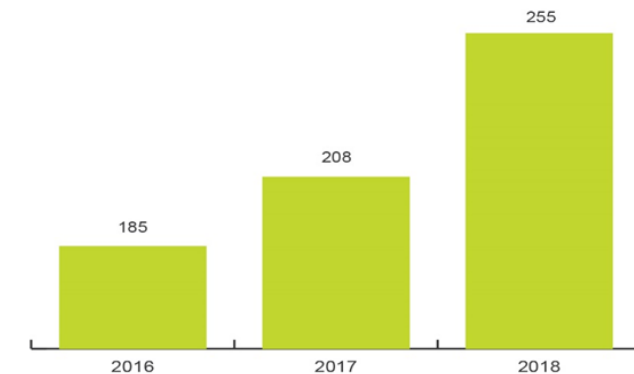
KEY GROWTH METRICS

- 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

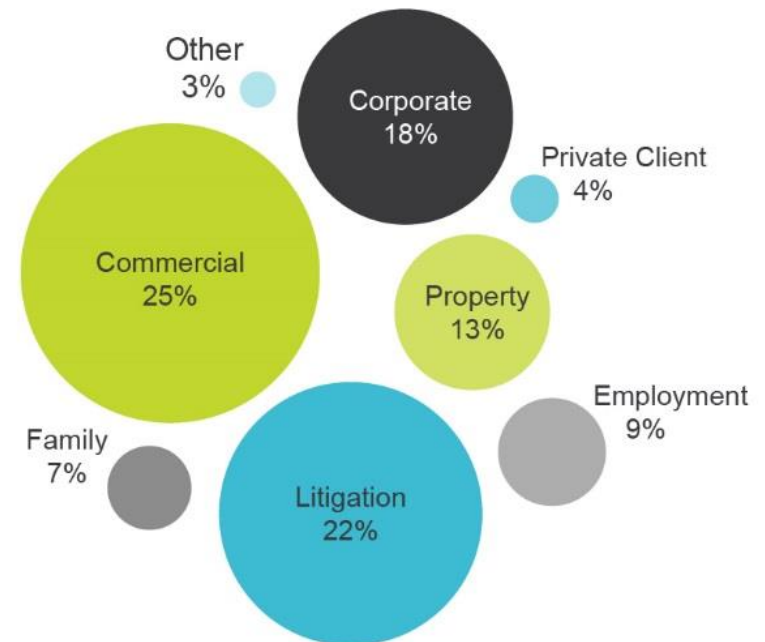


ROBUST, LOW RISK, SUSTAINABLE AND SCALABLE: 2015 - 18 REVENUE CAGR 25%

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

Billing by Case Type - 17/18

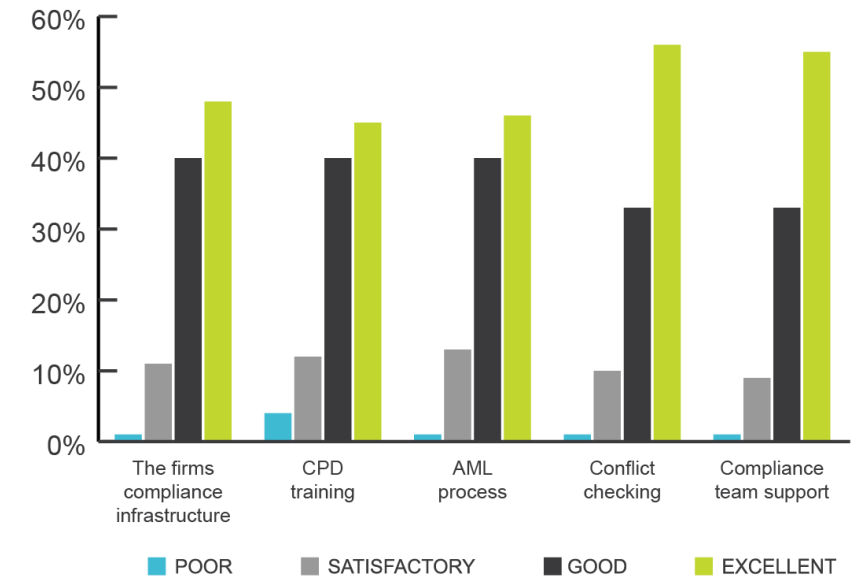


* Aggregate across last three years to 31 January 2018

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

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