

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 reads: "KEYSTONE LAW" in white serif font, "INTERIM RESULTS" in yellow-green sans-serif font, and "FOR THE SIX MONTHS ENDED 31 JULY 2019 (H1 – 2020)" in yellow-green sans-serif font.

KEYSTONE LAW

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 JULY 2019
(H1 – 2020)

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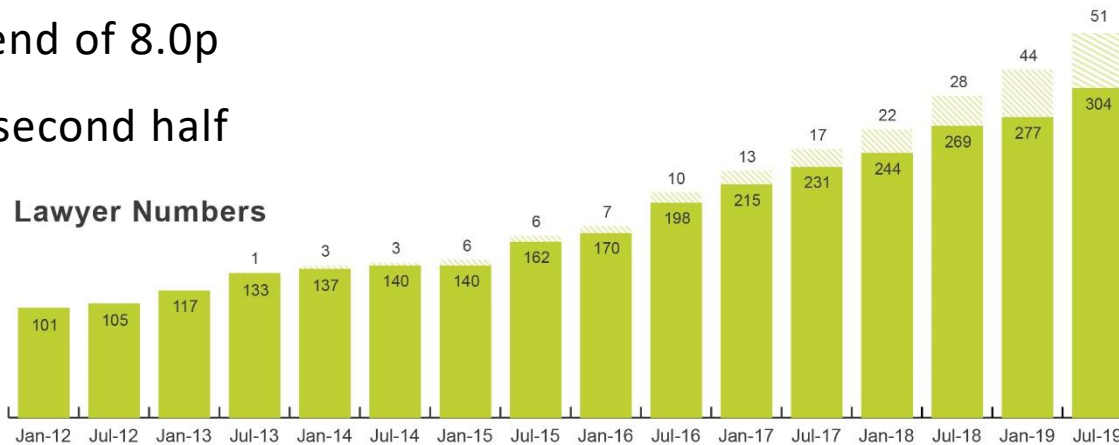
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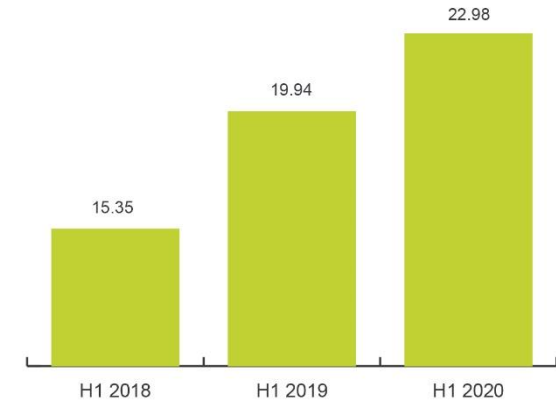
HIGHLIGHTS

- First half has traded ahead of expectations
- Revenue increased by 15.3% to £23.0m (H1 2019: £19.9m)
- Adjusted PBT* grew 15.3% to £2.7m (H1 2019: £2.3m)
- Continued strong cash conversion
- Interim ordinary dividend of 3.2p up 28% (H1 2019: 2.5p)
- Special dividend of 8.0p
- Confident in second half

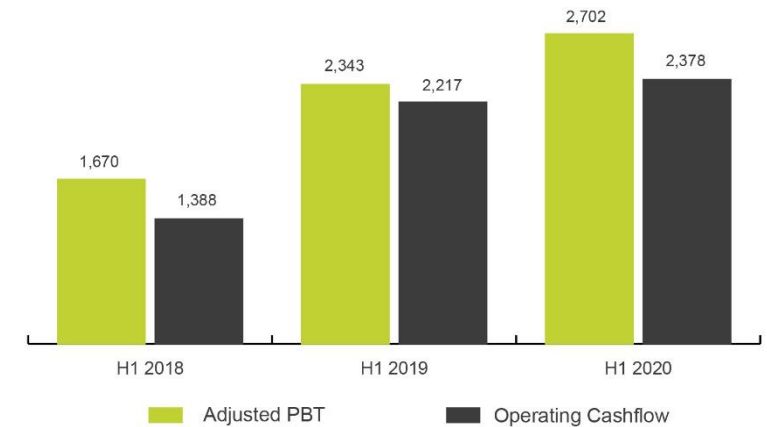
Lawyer Numbers



Revenue (£'m)



Adjusted PBT & Operating Cashflow £'000



* Adjusted PBT is calculated utilising profit before tax and adding back amortisation for both periods; for the current year share based payments and one off costs associated with property relocation is also added back.

BUSINESS ACTIVITY

- Strong recruitment activity
- Principal lawyer numbers reached 304 (277 at start of H1 2020)
- Total lawyer numbers reached 355 (321 at start of H1 2020)
- Demand for junior lawyers grew: Pod members up 5 and Central office lawyers up 2
- New office space to deliver additional meeting rooms, hot desks and improved lawyer centre
- Strong uptake of marketing and business development support
- Keystone brand continues to gain respect as the model becomes more mainstream

LAWYER RECRUITMENT

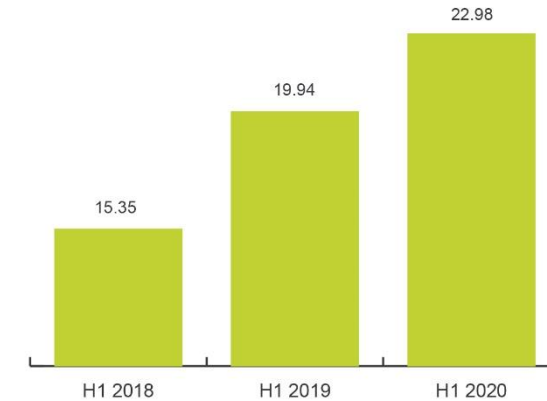
- Qualified new applicants (Principals) up 7.5% to 114 (H1 2019: 106)
- Accepted offers (Principals) up 24% to 36 (H1 2019: 29)
- New Principals joined in the period 33 (net 27)
- Pod members joined in the period 10 (net 5)
- Recruitment pipeline strong both in number and calibre of lawyers



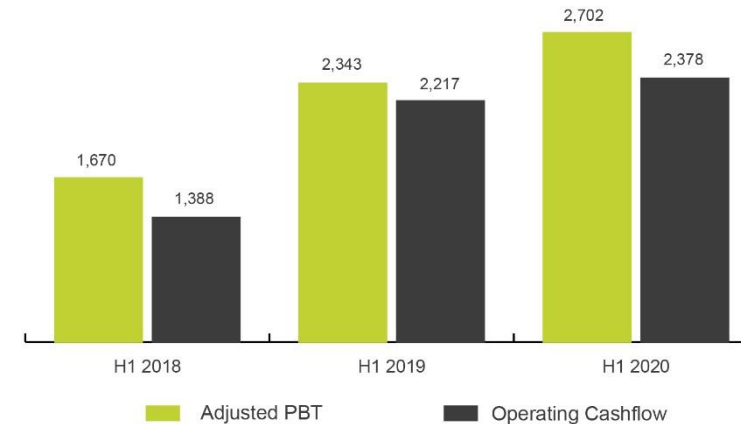
FINANCIAL HIGHLIGHTS

- Revenue increased by 15.3% to £23.0m (H1 2019: £19.9m)
- Gross margin of 26.9% (H1 2019: 27%)
- Adjusted PBT* up 15.3% to £2.7m (H1 2019: £2.3m)
- Adjusted EPS* 7.1p (H1 2019: 6.0p)
- Operating cash conversion 90.3% (H1 2019: 94.6%)
- Net cash £6.4m (H1 2019: £5.3m)
- Interim ordinary dividend 3.2p per share (H1 2019: 2.5p)
- Special dividend 8.0p per share
- Dividends payable on 25 October 2019

Revenue (£'m)



Adjusted PBT & Operating Cashflow £'000



- Adjusted numbers are calculated utilising profit before tax and adding back amortisation for both periods; for the current year share based payments and one off costs associated with property relocation is also added back.

INCOME STATEMENT

- Revenue increased 15.3% to £23.0m
- Gross Margin of 26.9%
- Adjusted PBT* up 15.4% to £2.7m
- Adjusted PBT* Margin of 11.8% (H1 2019: 11.8%)
- Adjusted EPS* increased from 6.0p to 7.1p

Six months ended 31 July £'000	H1 2020	H1 2019	Change
Adjusted PBT	2,702	2,343	15.4%
Amortisation	(175)	(175)	
Share based payments	(45)	0	
One off impact of property changes	(51)	0	
Reported PBT	2,431	2,168	

Six months ended 31 July £'000	H1 2020	H1 2019	Change
Revenue	22,984	19,940	15.3%
Gross profit	6,188	5,380	15.0%
GM%	26.9%	27.0%	
Staff costs	(1,343)	(1,167)	15.1%
Other administrative expenses	(2,063)	(1,792)	15.1%
Depreciation - assets own use	(154)	(140)	9.5%
Depreciation - tangible fixed assets	(26)	(16)	58.1%
Administrative expenses	(3,585)	(3,115)	15.1%
Other operating income	35	33	7.1%
Net finance income	65	45	
Adjusted PBT	2,702	2,343	15.4%
Adjusted PBT%	11.8%	11.8%	
Corporation tax	463	457	
Basic & fully diluted EPS (p)	6.3	5.5	
Adjusted basic & fully diluted EPS (p)	7.1	6.0	

* Adjusted PBT calculated as per table above, Adjustments above then applied to earnings to calculate adjusted EPS

As at : £'000	31-Jul 2019	31-Jul 2018
Property, plant and equipment	279	44
Right of use assets	2,246	887
Intangible assets	6,635	6,986
Available-for-sale financial assets	14	14
Total non current assets	9,173	7,930
Trade and other receivables	15,483	11,805
Cash and cash equivalents	6,357	5,312
Total current assets	21,840	17,117
Total assets	31,013	25,047
Share capital	63	63
Share premium	9,921	9,921
Share based payments reserve	88	0
Retained earnings	5,267	4,016
Equity attributable to equity holders	15,338	14,000
Lease liabilities	2,054	677
Deferred tax liabilities	372	442
Total non current liabilities	2,426	1,119
Trade and other payables	12,389	9,238
Lease liabilities	321	320
Corporation tax liability	497	285
Provisions	43	86
Total current liabilities	13,249	9,929
Total liabilities	15,675	11,048
Total equity and liabilities	31,013	25,047

BALANCE SHEET

- Net cash £6.3m (July 2018: £5.3m)
- Trade debtor days are 31 (July 2018: 34)
- Right of use assets and lease liabilities relate to operating leases – reflecting adoption of IFRS 16
- Intangible assets are a function of the structuring of Root Capital's investment in October 2014
- Share based payments reserve reflects grants under LTIP in H2 2019 and H1 2020

As at : £'000	31-Jul 2019	31-Jul 2018
Trade and other receivables		
Trade receivables	6,803	5,064
Accrued income	6,276	4,957
Prepayments and other receivables	2,404	1,784
	15,483	11,805

CASHFLOW

- Strong operating cash conversion - inherent to business model
- CAPEX higher in H1 2020 due to fit out of new floor in Chancery Lane
- Dividend paid is the final dividend of 2019
- Repayment of lease liabilities relates to office lease payment
- Operating Cashflow reflects cashflow generated from operations and deducts property lease payments
- Operating cash conversion reflects operating cashflow compared to adjusted PBT

Six months ended 31 July £'000	H1 2020	H1 2019
Profit before tax	2,431	2,168
Non cash movements	335	287
	2,765	2,455
Net effect of accrued income *	(162)	(281)
Other working capital movements	(48)	203
Total working capital movements	(210)	(78)
Cash generated from operations	2,556	2,377
Interest received / (paid)	65	45
Corporation tax paid	(211)	(267)
CAPEX	(249)	(10)
Cash flow pre financing activities	2,161	2,145
Repayments of lease liabilities	(115)	(160)
Dividends paid	(2,033)	(263)
Net Cash flow	14	1,722
Closing Cash	6,357	5,312
Operating cashflow *	2,441	2,217
Adjusted PBT	2,702	2,343
Operating cash conversion	90.3%	94.6%

* Operating Cashflow is calculated utilising cash generate from operations and deducting repayment of other borrowings; these being property lease payments in respect of the Keystone offices.

SUMMARY AND OUTLOOK

- H1 2020 has traded ahead of expectations
- Business activity remains strong
- Ordinary and Special Dividends to be paid 25 October
- Confident in the rest of this year

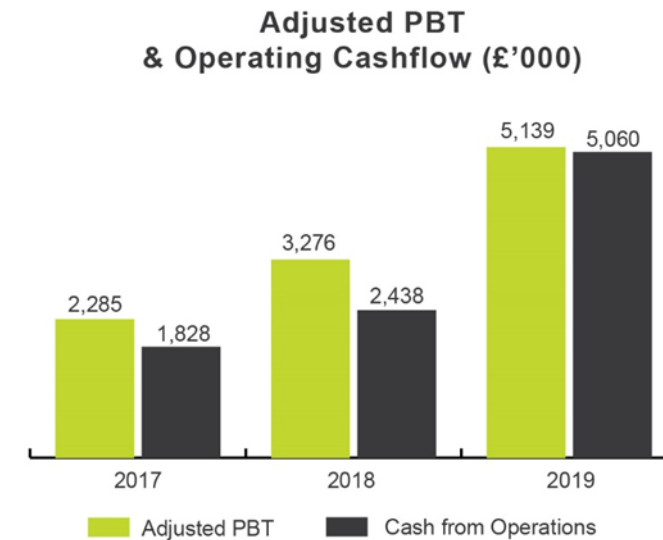
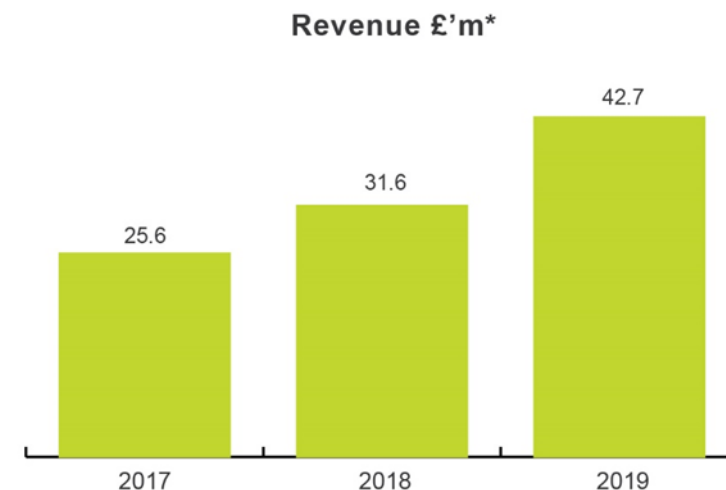
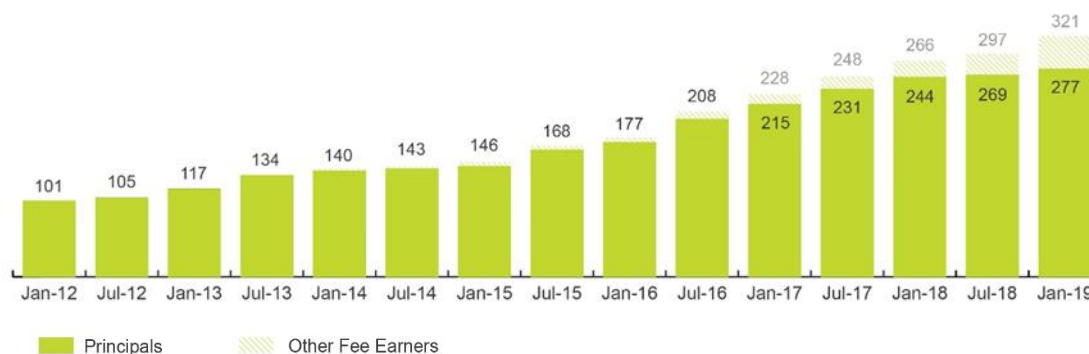


KEYSTONE LAW

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

* Source: The Lawyer UK200 report 2018

** Adjusted PAT – PAT plus amortisation and share based payment costs

KEYSTONE'S MARKET

UK Legal Services Market

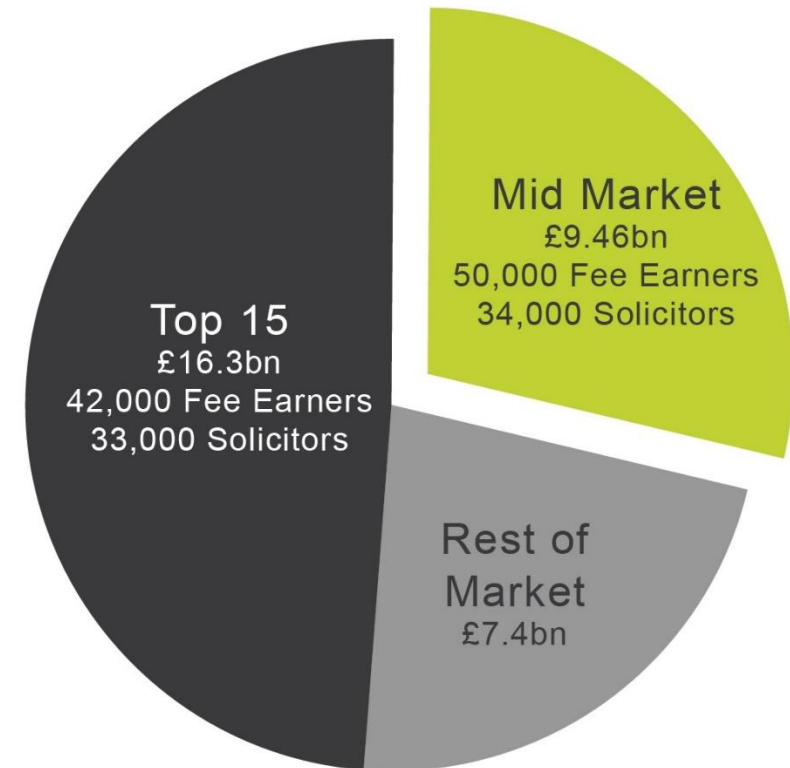
- 2nd largest in the world £33.4 billion revenue p.a. *
- Extremely diverse from Magic Circle to “high street”

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

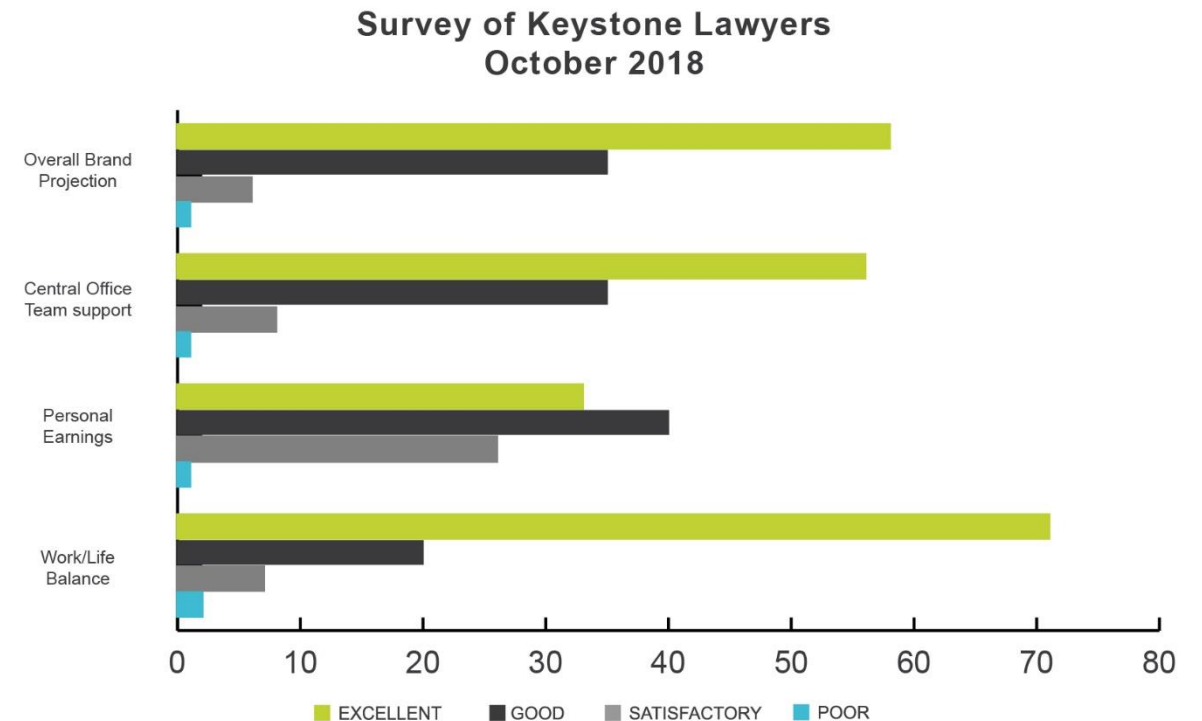
Central team provides:

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

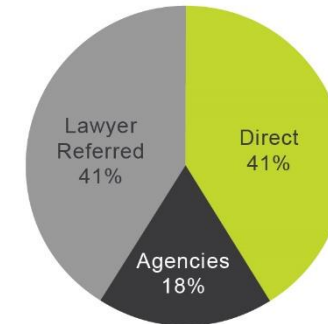


Legal 500
63 lawyers and 27 Practice
specialisms recognised

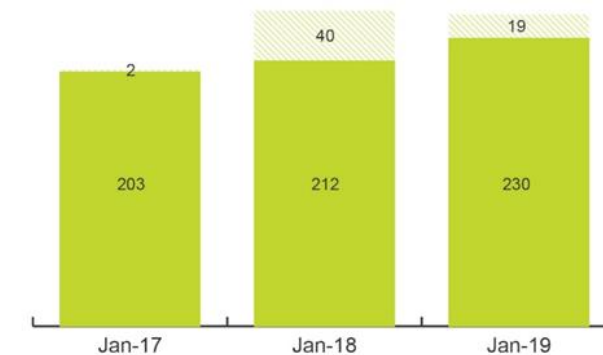
KEY GROWTH METRICS

- 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

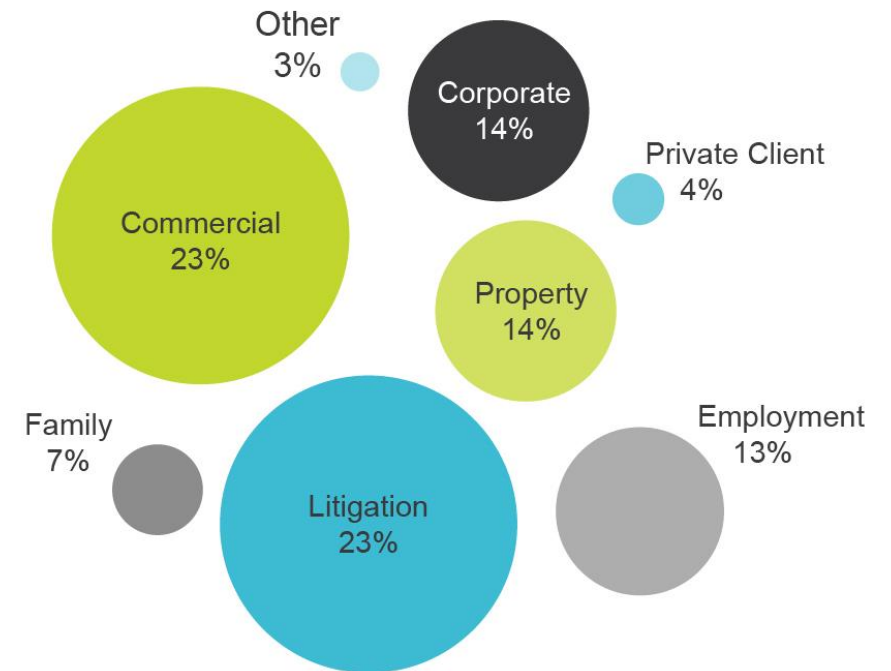


ROBUST, LOW RISK, SUSTAINABLE AND SCALABLE: 2016 - 19 REVENUE CAGR 27%

A LOW RISK BUSINESS MODEL

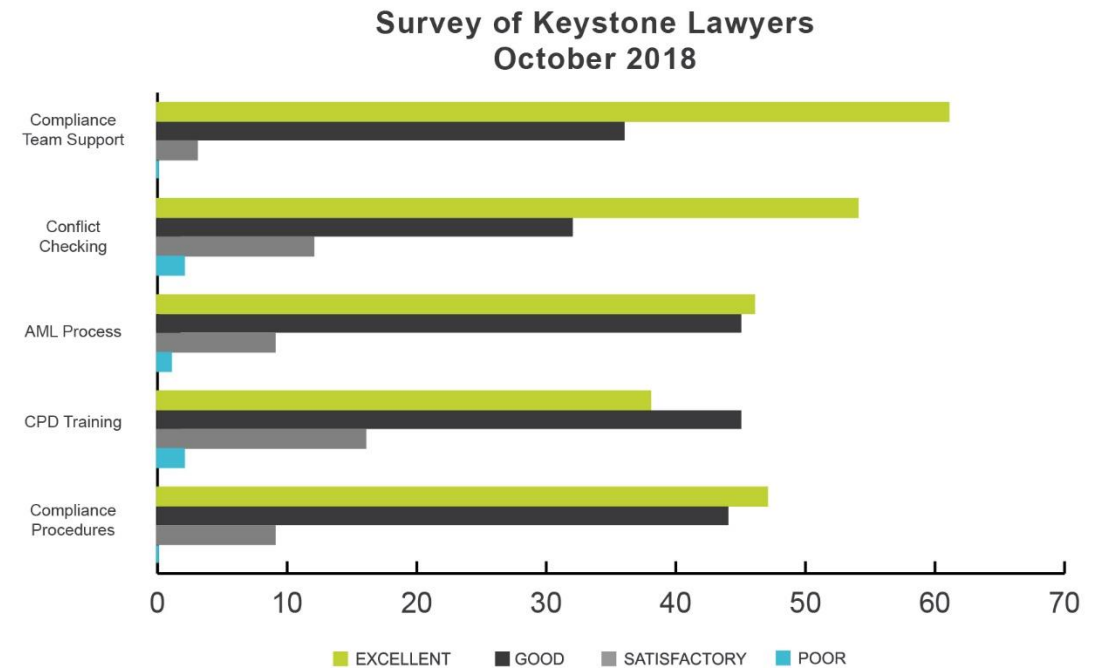
- No client or lawyer dependency (none > 5% recurring revenue)
- 8 practice areas – no dependency on one area of law
- Over 50 sectors – no dependency on one single sector
- Minimal exposure to high risk legal areas (eg: no volume personal injury)
- Robust risk management

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, Aptitude Software Group 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