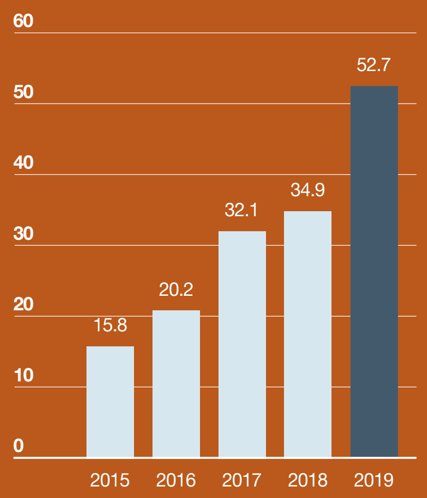
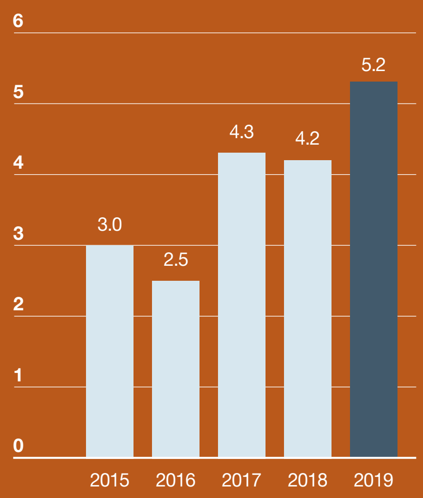
Revenue Growth

51%

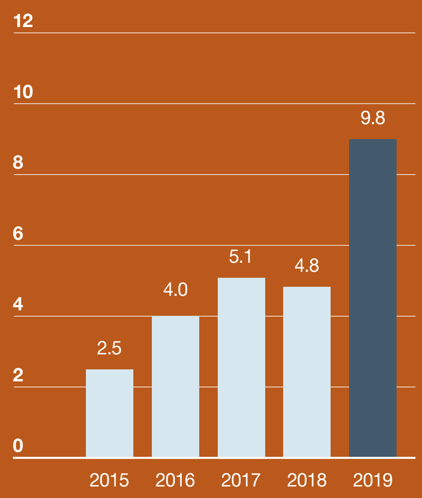
Revenue (£m)



Reported Profit Before Tax (£m)



Underlying Profit Before Tax* (£m)



Adjusted EPS (p)*

2019	11.88
2018	7.68

Average Number of Fee Earners

2019	402
2018	327

Fees per Fee Earner*

2019	131
2018	107

Underlying EBITDA per Fee Earner*

2019	28,201
2018	22,881

Underlying EBITDA Margin*

2019	21.5
2018	21.5

Financial Review

Financial Results

	2019 £'000	2018 £'000
Revenue	52,662	34,869
Staff costs	(30,137)	(20,449)
Other underlying costs and charges	(12,706)	(9,602)
Underlying profit before tax*	**9,819**	**4,818**
Amortisation of acquisition related intangibles	(693)	(199)
Non-recurring finance costs*	(2,038)	–
One-off costs on acquisitions and IPO*	(1,847)	(453)
Profit before tax	**5,241**	**4,166**
EPS	**5.84p**	**6.44p**
Adjusted EPS	11.88p	7.68p

"**I am pleased to report that the Group performed well in its first year as a listed company.** We have continued to build on our historic strong track record of growth in both turnover and profitability over the past 5 years with a 51% increase in turnover and 104% increase in underlying Profit Before Tax (PBT)*. Our continued focus on management of cash flow has resulted in exceptional cash conversion* of 115% for the year, resulting in net debt being lower than expected, positioning the Group well to continue with its future growth strategy via recruitment and carefully selected acquisitions."

Note
* See Glossary on page 131–133

Financial Review continued

Revenue

Reported revenue for the period is £52.7m compared to £34.9m in 2018 representing a 51% increase.

Of this increase 35.8%, or £12.5m, was a result of the acquisitions made during the financial year with the balance relating to organic growth. The organic revenue growth of 15.2% arose due to an increase in the level of fees per fee earner generated during the year and net recruitment of 46 additional fee earners during the year.

+51%

2019	£52,662,000
2018	£34,869,000

Staff Costs

Total staff costs represents 57.2% of revenue compared to 58.6% in 2018.

Fee earner staff costs have fallen from 51.5% of turnover to 49.6% of turnover reflecting good control of staff costs whilst increasing the fees generated per fee earner.

During the year we have invested in our support staff function with the addition of a Chief Operating Officer and further strengthening of our management team in all operational areas to ensure we have the strong foundations in place to support our planned future growth.

This, together with the costs of the Non-Executive Directors, has increased our support staff costs from 7.1% of revenue in 2018 to 7.6% of revenue in the current year.

Total Staff Costs

57.2%

2018: 58.6%

Direct Staff Costs

49.6%

2018: 51.5%

Support Staff Costs

7.6%

2018: 7.1%

Reported Profit Before Tax

The reported profit before tax for the year has increased by 25.8% to £5.2m. The increase is driven by increased turnover, and increases in underlying trading profits offset by higher non-recurring costs relating to the listing and non-underlying costs relating to the recognition of some contingent payments on acquisitions and reorganisation costs.

To enable the comparison of the profitability of the underlying business, the underlying profit before tax has been calculated as an alternative performance measure.

+25.8%

2019	£5,241,000
2018	4,166,000

Underlying Profit Before Tax*

Underlying PBT excludes non-underlying transaction costs relating to the IPO and acquisitions made during the year and contingent consideration payments required to be reflected through the Statement of Comprehensive Income under IFRS. It also excludes share-based payments for one-off share awards made at IPO and as part of the acquisitions, and the one-off Share Incentive Plan offered to employees as a result of the listing. Any share-based payments charges relating to ongoing SAYE and LTIP schemes are recognised as underlying costs of the Group.

The underlying PBT for 2019 has grown by 103.8% to £9.8m representing 18.6% of revenue compared to £4.8m, 13.8% of revenue, in 2018. The increase is driven by an increase in fees per fee earner which has resulted in an increase in revenue and gross profit, and a £1.4m reduction in underlying finance charges as a result of repaying £28.1m of debt as part of the Groups' listing.

+103.8%

2019	£9,819,000	18.6%
2018	£4,818,000	13.8%

Earnings Per Share (EPS)

The weighted average number of shares in 2019 was 68,533,094 which gives a basic earnings per share (Basic EPS) for the year of 5.84p (2018: 6.44p). Taking into account the number of share options that the Group has outstanding at the year end, gives a diluted EPS of 5.81p (2018: 6.44p). The 2018 figures are illustrative only as the Group was not listed and did not report an EPS in 2018.

In order to compare the EPS year on year, the underlying EPS has been calculated showing 11.88p in 2019 compared to 7.68p in the prior year. This measure eliminates the effect of any non-recurring and non-underlying costs on the EPS calculation.

Adjusted EPS*

11.88p

2019	11.88p
2018	7.68p

Basic EPS*

5.84p

2019	5.84p
2018	6.44p

Note

* See Glossary on pages 131–133

Financial Review continued

Corporation Tax

The Group's tax charge for the year is £1.2m (2018: £0.9m) which is made up of a current corporation tax charge of £1.3m offset by a £0.1m credit in relation to deferred tax.

The deferred tax credit arose largely from the reversal of the deferred tax on acquired intangible assets.

The total effective rate of tax is 24% based on reported profits before tax. This has been adversely affected by non underlying items (largely amortisation of intangible assets acquired in the year) that are not tax deductible. The effective rate of tax on the underlying profits of the business is 17%. (see note 16 of the financial statements).

Effective rate of tax

24%

2018: 23%

Dividend

The Board has adopted a progressive dividend policy balanced with its commitment to continue reinvesting the profits and strong cash generation of the Group to fund its future growth plans. Having delivered a strong maiden performance and with underlying earnings ahead of expectations, the Board is pleased, subject to approval at the AGM on 24 September 2019, to announce a final dividend for the year of 1.27p per share. This together with the interim dividend of 0.6p per share brings the total dividend for the year to 1.87p per share.

Pence per share

1.87p

2018: nil

Balance Sheet

	2019 £'000	2018 £'000
Goodwill and intangible assets	46,444	19,864
Working capital*	11,762	8,606
Other net assets/(liabilities)	(1,616)	903
	56,590	**29,373**
Cash and cash equivalents	4,904	2,118
Borrowings	(19,000)	(28,443)
Net debt	**(14,096)**	**(26,325)**
Deferred consideration	(3,239)	(250)
Net assets	39,255	2,798

The Group's net assets as at 30 April 2019 increased by £36.5m reflecting the shares issued in the year, profit for the year and reduction in net debt over the year as discussed below and the increase in goodwill and intangible assets resulting from the four acquisitions during the year.

Note
* See Glossary on pages 131–133

Goodwill and Intangible Assets

Included within intangible assets and goodwill is £19.8m of intangible assets, identified on current and prior acquisitions, such as customer relationships, brand and computer software. The balance relates to goodwill of £26.6m arising from acquisitions.

The Board carries out an impairment review of goodwill each year to ensure the carrying value is supportable. As at 30 April 2019 the Board concluded that the goodwill and intangible assets are not impaired.

£46.4m

2018: £19.9m

Working Capital*

Management of lock up has continued to be a key focus of the Group over the period. Lock up days is a measure of the length of time it takes to convert work done into cash. It is calculated as the combined debtor and WIP days for the Group. This is a key focus for management and the Board as it drives the cash generation necessary to support the growth strategy of the Group. Lock up days at 30 April 2019 were 93 compared to 77 the previous year. Management are satisfied with the level of lock up at the year end which remains significantly ahead of the industry average despite being adversely affected by the acquisitions during the year that had longer lock up profiles when acquired.

Average lock up days of acquisitions was 122 pre acquisition which has reduced to 99 days at the year end.

The Group's strong control over debtors is reflected in a low level of bad debts. Total bad debt charge for the year has remained constant at 0.8% of turnover despite the impact of IFRS 9 which resulted in a provision of £101,000.

Lock up days*

93

2018: 77

Bad debt

0.8%

of turnover
2018: 0.8%

Net Bank Debt

The exceptionally strong cash conversion in the period, together with the funds raised at IPO have reduced net bank debt to £14.1m at the year end compared to £26.3m as at 30 April 2018, £3.7m better than expectations.

The increased available facility of £27m gives the Group good headroom and positions the Group well to continue its growth strategy into 2020 through continued organic recruitment and carefully selected, culturally aligned acquisitions.

-46.5%

2019	£14,096,000
2018	£26,325,000

Financial Review continued

Cash Conversion*

	2019 £'000	2018 £'000
Net cash generated from underlying operating activities*	**11,372**	**5,902**
Interest	(745)	(1,806)
Capital expenditure	(1,303)	(1,381)
Free cash flow	**9,324**	**2,715**
Underlying profit after tax*	**8,141**	**3,842**
Cash conversion	**115%**	**71%**

The cash conversion percentage measures the Group's conversion of its underlying profit after tax into free cash flows. Cash conversion of 115% for the year shows a significant increase from previous periods as a result of lower interest costs due to the reduction in net debt as a result of the IPO, and the exceptional cash flow benefit of reducing the lock up in acquired businesses down to a level in line with the rest of the Group.

Capital Expenditure
During the year the Group continued to invest in its systems and premises to ensure our professionals have a high quality working environment and consistent systems across the Group to aid integration and support our one firm culture. To this end we have invested over £100k in our existing Oxford office to expand its capacity. We also invested £475k in the year, with a further £425k being incurred post year end, in the fit out of the new Manchester premises to provide a high-quality working environment for our Manchester team and to support our strategy of continued recruitment and growth in this office.

Other one-off expenditure during the year related to the upgrading of the telephone system to ensure consistency across the Group, which involved an investment of £100k.

Other capital spend relates to general investment in IT, communications and infrastructure required for the increase in the number of employees, and to support our programme of rolling IT replacements to ensure our technology is up to date and sufficient to meet the needs of the business.

One-off capital projects planned for 2020 financial year are the refurbishment of our Leicester office, and further increase in the capacity of the Oxford office to support our growth strategy. Together with the remaining spend on Manchester the Board expect to invest c. £1m in expanding the capacity and improving our offices during the current financial year.

Acquisitions
The cash impact of the four acquisitions completed during the year and in future years is summarised below:

Financial year ended	Total cash impact (£m)
2019	21.16
2020	3.91
2021	2.21
2022	0.65

The above includes estimated contingent consideration charged as remuneration.

With the listing completed, the Board consider that future acquisitions will require lower initial cash outlay as the balance between cash and shares will change as the market gains confidence in the share value.

The strong cash and lock up management systems in the Group mean that often we generate cash from the acquired Balance Sheet. For the acquisitions completed during 2019 we generated approximately £1.5m of cash inflows from a reduction in lock up days, hence reducing the cash impact of acquisitions on the Group.

Corporation Tax - Cash flow impact
Going forward the Group will fall under the large Quarterly Payments regime for its corporation tax. This will have the effect of advancing the corporation tax payments such that the full estimated corporation tax is paid during the year rather than only 50%. As a growing business with increasing profits and tax costs this will impact the post tax cash conversion on an annual basis by approximately 10%.

Management expect post tax cash conversion to average out at c.75% going forward.

115.0%

2018: 71%

Alternative Performance Indicators

As highlighted in note 36 of the accounts, the Group uses a number of key performance indicators (KPIs) to monitor the Group's performance against its strategic objectives. These comprise a number of financial and non-financial measures which are agreed and monitored regularly at Board meetings. The financial indicators are calculated based on underlying results excluding any one-off transactional and acquisition related costs. The Board is of the opinion that these operational factors are key drivers for the Group's financial success.

Number of Fee Earners* / Fees and Underlying EBITDA per Fee Earner*

Top line growth is a combination of the number of fee earners employed and the fees per fee earner that they are generating, therefore these are two KPIs that the Board monitors closely on a monthly basis.

The increase in fees per fee earner of 22.4% in the year to 30 April 2019 is a result of continued focus and training of our professionals on client management and efficient use of systems. The Board are pleased with the current improved levels, however future fees per fee earner may be impacted by a change in the mix of fee earner grades, therefore the Board also monitors the underlying EBITDA per fee earner alongside fees per fee earner as underlying profitability is a key focus of the Board. Underlying EBITDA per fee earner increased by 21.7% in the year from £23,000 per fee earner to £28,000.

Average full-time equivalent Fee Earners during the year*

402

2019	402
2018	327

Fees per Fee Earner*

£131k

2019	£131,000
2018	£107,000

Underlying EBITDA per Fee Earner*

£28k

2019	£28,000
2018	£23,000

Underlying EBITDA*

The Board uses underlying EBITDA as a measure of its performance and believes that it is an important metric for monitoring the profitability of ongoing operations. Underlying EBITDA excludes one-off transaction costs relating to the IPO and acquisitions made during the year. It also excludes share-based payments for one-off share awards along with contingent consideration payments required to be reflected through the Statement of Comprehensive Income as remuneration under IFRS accounting conventions. The underlying EBITDA for 2019 has grown by 51.5% over 2018.

Underlying EBITDA*

+21.5%

of turnover

2019	£11,337,000	21.5%
2018	£7,482,000	

Note
* See Glossary on pages 131–133

Financial Review continued

Non Fee Earner Staff to Fee Earner Ratio*

The business model and use of IT systems have been key in enabling the Group to maintain a fee earner to non fee earner staff ratio that is much higher than the average for the sector. The Board believe that this is one of the key differentiators in its business model enabling the Group to generate such strong EBITDA margins.

As at 30 April 2019 the ratio of 4.0 fee earners to 1 non fee earning staff is marginally lower than at the previous period end figure of 4.5 as the Group has invested in creating the management and support function necessary to enable it to meet its future strategic growth objectives.

4.0

2019	4.0
2018	4.5

In Summary

The Board is pleased with the growth in fee income and profitability during the year. The investment in 2019 in the strengthening of the management and support staff function, together with the lower than anticipated levels of net debt, due to the Group's excellent cash conversion, places us in a strong position to continue to grow the business both organically through recruitment, and through selective acquisition opportunities.

Kate Lewis
Chief Financial Officer

8 July 2019

Note
* See Glossary on pages 131- 133