

Chairman's Statement

Knights delivered a robust financial performance this year, with revenue of £125.6m, up circa 22% compared to the prior year.



A handwritten signature in black ink, appearing to read 'Bal Johal', with a long horizontal line extending from the end of the signature.

Bal Johal

Non-Executive Chairman
11 July 2022

This growth in the year principally reflects acquisitions, with in-year acquisitions contributing circa £5.8m and the full year impact of prior year acquisitions delivering an additional £14.8m, giving total revenue growth from acquisitions of £20.6m (20%). The acquisition-led growth was complemented by our COVID affected organic growth of 2% in the period, 4% disregarding the impact of closing down volume debt recovery and conveyancing.

Throughout the year we continued to realise our vision of building the UK's leading legal and professional services business outside London. We expanded our geographic footprint, strengthening our presence in Yorkshire and entering the North East and East of England as we welcomed more high-quality businesses and people into our Group. As we entered the new financial year, we extended our presence in the South East, meaning that as Knights celebrates a decade since its corporatisation, we are now a diversified business of truly national scale, operating from offices across the UK. As we grow the business, the Board continually reviews Knights' corporate structure, operational infrastructure, and processes to ensure they will support the continued scaling up of the business.

During the year, we faced unusual challenges, including the emergence of the Omicron variant of the COVID-19 virus, leading to disruption within the business due to increased levels of employee sickness and absence during what is historically our most significant trading period in the fourth quarter of the financial year. Despite this, the Group delivered underlying profit before tax of circa £18.1m, reflecting the resilience of our business model and agility of our management team. I am proud of how our people met these challenges and have bounced back quickly, demonstrating the benefits of our strong and unique culture. I would like to express my thanks, on behalf of the whole Board, for their dedication, and tireless hard work. I would also like to thank our exceptional management team, who continue to successfully drive the business forward, despite such unpredictable headwinds.

Increasingly well positioned to execute our acquisition strategy

Our strategy is delivering tangible results. Knights' differentiated corporate structure is increasingly understood and a heightened awareness of its strong culture and reputation is helping to drive continued growth. Within a large, highly fragmented market, Knights is well-positioned to continue to seize opportunities that align with our strategy and goals.

Revenue

£125.6m

+21.7% (2021: £103.2m)

This year, we built on our exemplary track record of deriving value from acquisitions and continued to roll out our targeted expansion, executing our strategy. This growth has increased our ability to attract high-quality acquisition targets that are a strong strategic and cultural fit for our business, bringing a significant number of talented new professionals into our Group. Our reach now spans a large proportion of the UK.

Strong recruitment momentum as we continue to scale the business

We continue to attract the highest calibre people and I am pleased to say that this year we recruited from leading law firms across the country as quality lawyers, typically with a strong client following, continue to favour our model over equity partnership. As importantly, I am delighted to say that employee churn, at 9%, remains low across all experience levels.

During the year, we have continued to attract new clients who recognise the unique combination of expertise, excellent service and value that we offer, adding to our already strong client base. We have also broadened Knights' portfolio of specialisms, adding a complementary debt advisory service offering to the Group. This is performing well, providing opportunities for cross-selling, and has attracted experienced accountants and corporate bankers from respected institutions, further demonstrating the strong positioning of the Knights brand.

Our strong culture, which is recognised across the industry, and enhanced reputation, are key draws for talented professionals. The cultural integration of our newly acquired businesses is overseen by our growing Client Services Executive team, which we expanded during the year. This team and our Operational Directors, report directly into David Beech and Kate Lewis (CEO and CFO), ensuring that this deeply experienced group continues to work together to support the growth and scaling up of the business.

The adoption of a hybrid working model has allowed our people to work flexibly and maintain a healthy work-life balance, whilst

Underlying PBT

£18.1m

(2021: £18.4m)

continuing to benefit from our strong team culture. We continued to invest in our systems, building on the technological improvements we implemented during the pandemic, to facilitate a more seamless flow between home and office. This, together with the depth and breadth of our resources, has further accelerated the integration of new businesses and joiners into our Group during the year.

Board and ESG

We continue to be mindful of the impact of our business on the world around us. Throughout the year we proactively managed this through improving energy efficiency by moving from older office buildings to grade A space, maximising space by consolidating into fewer, larger offices and building on the habits adopted by our professionals to digitise the way in which they work. I am pleased with our performance against targets, having surpassed those we set in 2019, successfully reducing our greenhouse gas emissions, paper consumption and office usage. We are in the process of agreeing new targets for 2022 and beyond. During the year we expanded the scope of our ESG governance to include Climate Change, adopting TCFD guidance. Following a strategic review to assess risk under various climate change scenarios, we see no material risk or opportunity for the business.

Our volunteering programme also continues, with colleagues supporting their local communities through our 4 Our Community programme. Our partnership with Mind is also yielding positive results.

In terms of gender balance at a senior level, we are making significant progress. Of our 12 Client Services Directors, 5 are female as is 60% of our Board. We are extremely proud of these figures, but recognise there is more we can do in this area. We are also proud of the diversity across the business, with 72% of all fee earning professionals being female.

In acknowledgement of the challenges Knights has faced during the period, it was agreed that no bonus would be paid, even though some of the non-financial measures had been achieved, with no increase in salary for the CEO and only an inflationary increase for the CFO for FY23.

Organic revenue growth

2%

In acknowledgement of the difficulties that may be faced by our people in light of the cost-of-living crisis, we undertook a detailed salary review, increasing salaries across the business which, along with other initiatives, has had a positive impact on employee morale at all levels.

Shortly after the period end, we announced that Richard King would step down from his role as Chief Operating Officer, and from the Knights Board, to pursue other opportunities. Richard was instrumental in establishing the strong operational infrastructure which has enabled the Group to achieve critical mass and will support the continued scaling up of the business. Richard leaves Knights with our gratitude and on behalf of the Board I offer him our best wishes for the future.

Dividend

The Group's progressive dividend policy balances the retention of profits to fund our long-term growth strategy with providing shareholders with a return, as that growth strategy delivers strong results. In line with that policy, the Board is proposing a final dividend of 2.04p. Together with the interim dividend of 1.46p per share, this gives a total dividend for the year of 3.50p. The dividend will be payable on 30 September 2022 to shareholders on the register at 2 September 2022, subject to shareholder approval at the Group's AGM.

Summary and medium-term outlook

I am encouraged by our clear strategic and operational progress during the year, which was achieved despite considerable external challenges in the final quarter.

There is good momentum in the business going into the new financial year and our outlook is positive, with a healthy pipeline of acquisition opportunities of quality firms and high-calibre recruits, all with a strong cultural fit, and which will provide entry into new markets or additional capabilities or scale in our existing office locations.

We have a significant market opportunity, with the right strategy and team in place to deliver on it and we look forward to continuing to make strong progress in achieving our goals.

Note

For all financial information see Financial Review on pages 38-47 and definitions in glossary on pages 126-127.