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Today's Presenters

Executive Directors



James Dow

Chief Executive Officer

James established Dow Schofield Watts LLP in 2002.

James is qualified as both a Chartered Accountant and Management Accountant.

James joined KPMG in 1983 and after qualifying focussed on corporate finance becoming a partner at 33. After approximately 8 years as a partner leading Corporate Finance in the North West, James left to found Dow Schofield Watts LLP.

In 2019, James was nominated for the North West Insider Top Dealmakers of the last 25 years and is the author of six books focussed on private equity, corporate finance and deal structuring.

James is also a non-executive director of the Liverpool Institute of Performing Arts.



Nicole Burstow

Chief Financial Officer

Nicole joined Dow Schofield Watts LLP as Group Finance Director in April 2019.

Nicole previously spent 15 years with Deloitte in Manchester. As a Director, she was responsible for leading the audits of some of the region's largest and most complex international businesses, more recently focusing on listed businesses.

She also played a significant role in growing the North West practice by recruiting and developing talent and expanding the local client base.

Alongside her CFO responsibilities, Nicole leads the recruitment, roll out and integration of new licensees as well as relationship management of the existing portfolio.

Overview of DSW

- **Challenger “Big 4” mid market professional services network.**
- **107 licenced fee earners (“FE”)** predominantly trading under the DSW brand with 10 locations across England and Scotland.
- **Licence fee** is charged typically on a **percentage of revenue.**
- Provide the infrastructure to **empower ambitious professionals to build their own business.**
- **Scalable** model with **low operational gearing.**
- **Predictable cost base** – 8.0 full time equivalent employees (“FTE”) plus executive directors.
- **Cash generative** and can **support a 70% dividend pay-out ratio** based on Adjusted Profit-After Tax.
- **68%** revenue exposure to **SME M&A** (FY22: 70%).



Key Financials FY23

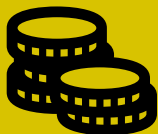
10.2%
YoY growth in FE

**13.9% 3-year
Network Revenue
CAGR**

**£193k Revenue
per FE**

Investment Case

Cash generative, capital light
and 70% dividend payout ratio



Recurring revenue base



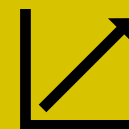
Large market ripe for
disruption



Scalable and innovative
platform model



Continued strong growth in
FEs



The **AIM listing is important.** It has:

- increased our **profile** to partner candidates;
- provided **capital** for the acquisition of licence fee income from other existing businesses; and
- accelerated **organic growth** through recruitment and Network Revenue.

Current Service Lines

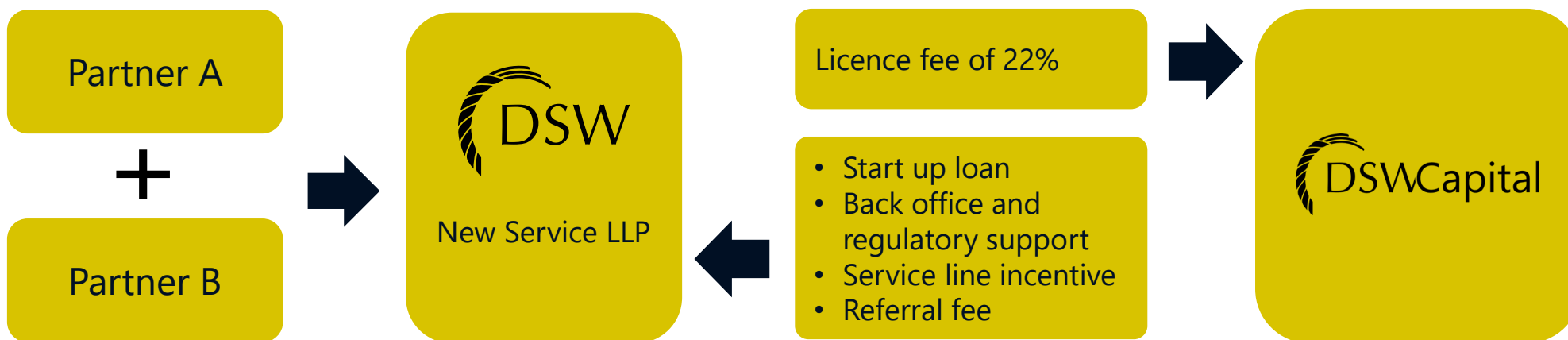


**Updated for the addition of Bridgewood*

The DSW Licence Model

Empowering ambitious professionals to build their own business


We recruit highly skilled professionals (typically “Big 4”) in focussed niches of expertise to run their own business and provide services to small to mid market corporates and their owner managers.





The DSW Licence Model

Strengths to DSW Capital


£ Recurring income.

 Minimal exposure to property and employee costs.

 Licensees are “self-starters”.


 Flexible licence agreements to introduce new partners.


 Back-office support ties businesses in.


 Capital light and highly cash generative.

Strengths to the Licensee


★ Strong perceptions of credentials and capability.

 Cross referrals and access to multidisciplinary services.

 Easier recruitment, central marketing and PR support.

 In-house talent development to aid retention and engagement of employees.

 Back-office support - focus on growing their business.

 Start-up funding provided.

Central Initiatives

Our initiatives this year have sought to strengthen the business model in three key areas:

1

To attract new recruits and enhance value provided to existing licensees

2

To retain and develop existing employees and partners

3

To increase collaboration across the DSW Network

Launch of DSW Future Leaders Programme

Rollout of DSW Appraisal Framework

Established DSW Mentoring Scheme

Conducted first Engagement Survey

More Internal Networking events

Online compliance training platform

Investment in additional Senior IT Resources

Risk management workshops and compliance guidance enhancement

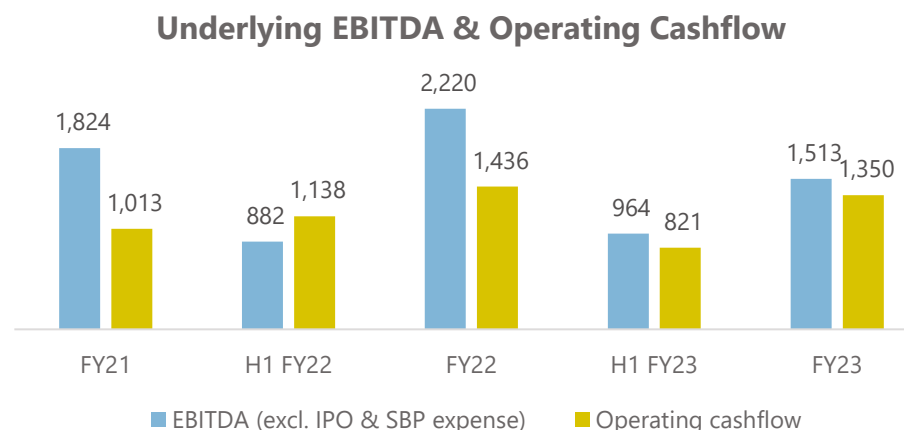
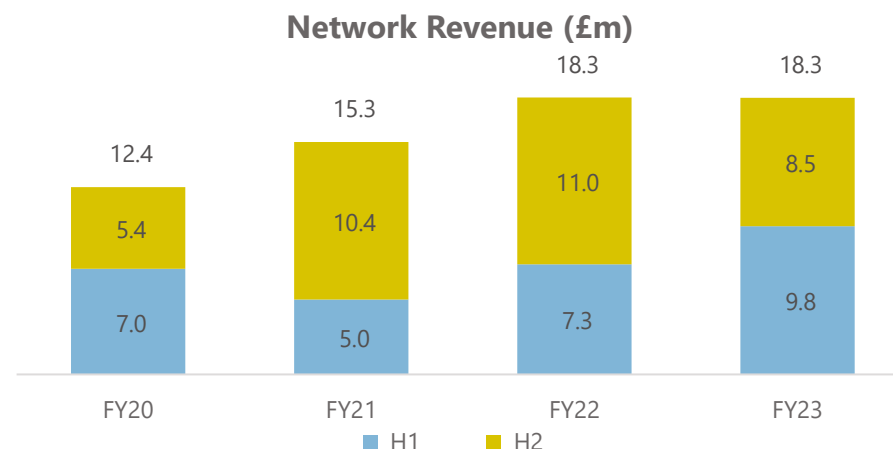
FY23 Performance Highlights

- Network Revenue of £18.3m (FY22: £18.3m) – FY22's record performance matched despite challenging H2
- Income from licensees* increased 0.3% to £3.0m
- Underlying EBITDA⁺ decreased by 32.2% to £1.5m, reflecting a full year's plc costs and investment in central resource.
- Strong cash conversion (88%) with £4.6m cash at period end
- Proposed final dividend of 2.0p. Full year dividend yield 5.0%**
- Total dividends paid post IPO of 7.98p

97 FE
(10.2% YoY Growth)



£193k
Revenue per FE
(£227k PY)



*Income from licensees defined as statutory revenue of £2.7m plus share of results of associates of £0.3m.

** Calculated as full year dividends (£0.8m) divided by market capitalisation at 31 Mar 2023 (£16.1m) and a share price of 73.5p.

+ Underlying EBITDA is defined as profit before tax adjusted to add back depreciation, amortisation and interest and other the items not considered part of underlying trading (including share-based payment expense and IPO costs).

FY23 Income Statement

£000s	Mar-23	Mar-22
<i>Portfolio Income</i>	18,262	18,284
Licence Income	2,550	2,533
Profit Share Income*	408	459
Sale of interest in LLP**	40	-
Total Income	2,998	2,992
Income from jointly controlled entity	25	102
Central Overheads	(1,487)	(861)
EBITDA (excl. IPO costs & SBP charge)	1,536	2,233
Depreciation and amortisation	(185)	(126)
Operating Profit (excl. IPO costs & SBP charge)	1,351	2,107
Finance income/(costs)	80	22
Loan Impairments	(22)	(127)
Profit Before Tax (excl. IPO costs & SBP charge)	1,409	2,002
Tax	(230)	(303)
Profit After Tax (excl. IPO costs & SBP charge)	1,179	1,699

Key Highlights

- Market deal volumes down overall but DSW revenues have been maintained.
- Profit share income reduced by 11.1% due to wage inflation and reduced utilisation in H2.
- Investment in central infrastructure to position the Group for future growth.
- Adjusted Pre-tax Profit of £1.4m, a decrease of 30% on the prior year, reflecting full year's plc costs including investment in additional central resources.

* Includes share of results in associates (FY23: £284k, FY22: £309k) classed separately below Gross Profit in the statutory accounts.

** Consideration arising from the exit of DSW Wealth Advisory LLP

*** Adjusted Pre-tax Profit is defined as profit before tax adjusted to add back the items not considered part of underlying trading (including share-based payment expense and IPO costs).

Reconciliation to Statutory Profit for the Year

£000s	Mar-23	Mar-22
Profit After Tax (exc. IPO & SBP)	1,179	1,699
IPO Costs	-	(866)
SBP Charge	(694)	(1,167)
Statutory Profit/(Loss) for the year	485	(334)

FY23 Balance Sheet

£000s	Mar-23	Mar-22
Non-current assets		
Intangible assets	748	794
Property, plant and equipment	440	525
Investments	922	922
Investments in associates	209	290
Interests in jointly controlled entities	39	23
Prepayments and Accrued Income	166	175
Deferred tax asset	9	4
	2,533	2,733
Current assets		
Trade and other receivables	1,491	1,201
Prepayments and Accrued income	350	362
Cash and bank balances	4,584	4,722
	6,425	6,285
Total assets	8,958	9,018
Current liabilities		
Trade Payables and other payables	238	140
Other taxation	211	210
Accruals and Deferred Income	133	163
Current tax liabilities	95	63
Lease liability	91	83
	768	659

£000s	Mar-23	Mar-22
Net current assets	5,657	5,626
Non-current liabilities		
Lease liability	220	302
Dilapidation provision	75	72
	295	374
Total liabilities	1,063	1,033
Net Assets	7,895	7,985

Key Highlights

- £4.6m cash after payment of £1.3m dividends in the period and debt free.
- Intangible assets represents licensed brands.
- Investment relates to the acquisition of Camlee in FY20.
- Robust balance sheet with net assets of £7.9m and capital available to deploy.

Cash Flow Statement

£000s	Mar-23	Mar-22
Cash flows from operating activities		
Profit for the year	485	(334)
Adjustments for tax, interest, non-cash items	1,051	1,701
Operating cash flows before working capital	1,536	1,367
Working capital movements	(186)	69
Cash generated by operations	1,350	1,436
Income taxes paid	(203)	(502)
Net cash from operating activities	1,147	934
Cash flows from investing activities		
Purchases of property, plant and equipment	(43)	(37)
Net cash used in investing activities	(43)	(37)
Cash flows from financing activities		
Dividends paid	(1,261)	(380)
Finance lease payments	(77)	(77)
Interest received/(paid)	104	45
(Repayments)/proceeds from loans	(8)	3,628
Net cash used in financing activities	(1,242)	3,216
Net cash flow	(138)	4,113
Closing cash	4,584	4,722

£000s	Mar-23	Mar-22
Operating cash conversion* (%)	88%	105%

*Calculated as cash generated by operations divided by Operating cash flows before movements in working capital. Expected OCC to range between 80-100%.

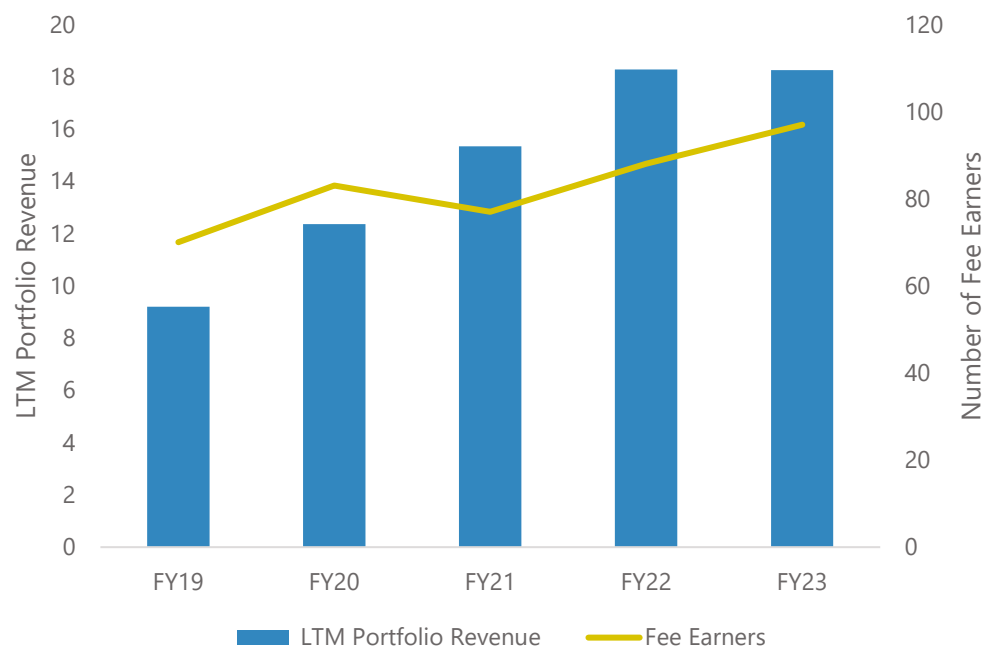
Key Highlights

- Business model is cash generative.
- Strong cash conversion – 88%
- Lock up equivalent 27 days** well below peer group.
- Capital light.
- Operating cash conversion movement driven by high Network Revenue in Q4 FY21 collected in Q1 FY22 and increased loans to new licensees.
- FY22 final dividend £0.9m paid in the period.
- Closing cash £4.6m.

**Calculated as amounts owed to DSW Capital from licensees divided by Network Revenue

Network KPIs

LTM Portfolio Revenue vs. Fee Earners



Fee Earners



97

10.2% YOY growth

Network Revenue



£18.3M

Consistent with PY

16.6%
Average Licence Fee
(2022: 16.9%)

1:1.3
Partner to Employee
ratio
(2022: 1:1.3)

61.3%
FE Ex Big Four
(2022: 69.1%)

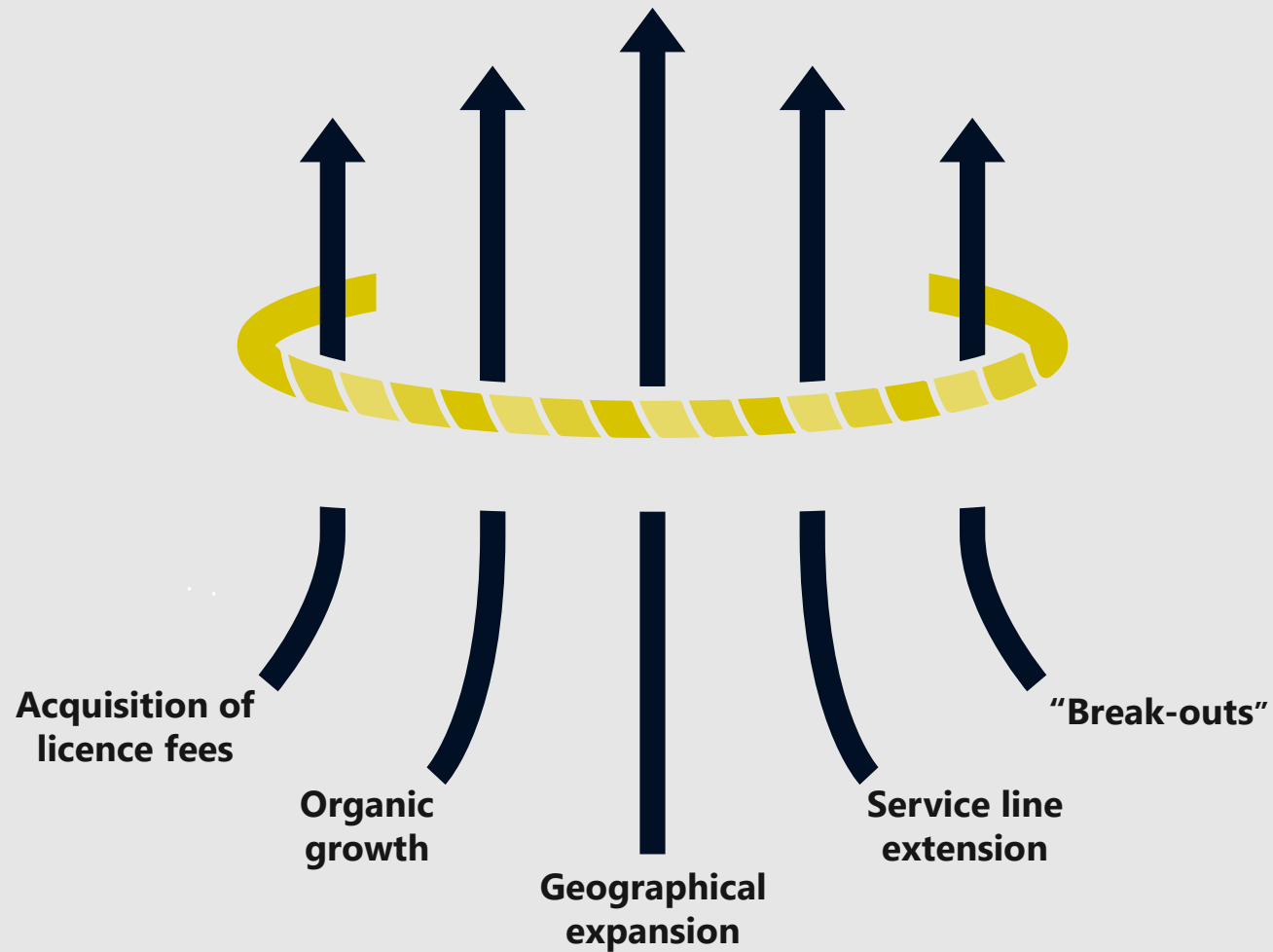
£193k
Revenue per FE
(2022: £227k)

4.6 FE per
business
(2022: 4.4)

24%
Female Partners
(2022: 23%)

48
Average age per
partner
(2022: 48)

Opportunities for growth



FY24 - DSW Bridgewood

- On 12th July 2023, the Group completed a transaction with **Bridgewood Financial Solutions (“Bridgewood”)** a Corporate Recovery business based in Nottingham.
- Bridgewood** will become part of the DSW Network, and DSW Capital will receive licence fee income for the use of the DSW Brand.
- DSW has provided **£780,000** to facilitate an MBO and secure the succession plan and longevity of the business.
- With the addition of Bridgewood in July, the DSW Network now has **107 Fee earners**, representing **17.6% growth YoY**
- Expanding into the Midlands has been **a key area of focus**.

Strategic fit:

**Expands
DSW
presence to
the Midlands**

**Delivers a
step change
in growth
through
acquisition**

**Rebalances
the Group's
portfolio
away from
M&A**



**10
Total Fee
Earners**



**3
Partners**



**£130k
Min. Annual
Return – 3yrs**

“The buy-out is an ideal scenario for all concerned. It enables Andrew and Tom, who have become key members of the team, to take a stake in the business and gives us the autonomy to pursue our growth plans going forward, while providing excellent returns for our original investors.”

Robin Tarling, Bridgewood Managing Director

Target Acquisition Service Lines

High margin, high growth, niche professional services where there is a strong synergistic fit.



Existing service lines in new locations.



Tax related services and family office.



Employer solution services.



Niche legal services.



Other Big 4 (non-audit) service lines.

Recruitment Pipeline

We have invested in market mapping and recruitment resource through an outsourced relationship to develop our recruitment funnel.

Our investment reflects the increased “push” factors encouraging people to seek new opportunities, which is a consequence of a slowdown in activity, which results in lower bonuses, disappointing salary awards and postponed promotions.

Our in-house recruitment team has grown from 2 to 4 and is supplemented by outsourced market mapping capabilities

Mapping **400 – 800 Partner Candidates per week***

Approaching **100 Partner Candidates a week***

Current response rate **1 in 7***

Breakout incentive marketing to augment recruitment process

Increased brand profile expected to build future **inbound recruitment pipeline.**

Four Partners* have accepted offers, including two new locations

**All data up to date as of 13 July 2023*

Our ESG journey

We are still in the early stages of our ESG journey, although we've made great progress against our four cornerstones;

Social & Environmental Impact

- Reduced our Scope 1 Emissions by 45.9%
- Scope 1 & 2 Emissions reduced by 31.6%
- Raised £3,000 for Charity, volunteering & donated clothes

Diversity & Inclusion

- Rolled out Diversity & Inclusion training
- Four Apprentice & Graduate hires within the year
- First Engagement Survey

Empowering our People

- Launched DSW Future Leaders Programme
- Network of Mental Health First Aiders
- Social & Wellbeing events

Responsible business practices

- Code of Conduct
- Adopt QCA Code
- Whistleblowing & ABC policies
- Risk Management workshops

We look forward to working with our newly established ESG committee to drive positive changes across the Network.

Summary and Outlook

Summary

- Network Revenue of £18.3m (FY22: £18.3m) – FY22's record performance matched despite challenging H2
- 25new FEs post-IPO, including Bridgewood – heightened profile and licence model driving recruitment.
- Named by Experian as the 11th most active corporate finance adviser in the UK in 2022, compared to 18th in the prior year.
- High cash generation has supported 70% dividend pay-out ratio based on Adjusted PBT.
- Central initiatives rolled-out within the year have enhanced value for current and prospective licensees.
- Laid the foundations of our Recruitment Drive.

Outlook

- FY24 trading performance to date at similar levels to Q4 FY23 and in line with expectations.
- A prolonged downturn consequently creates a more challenging environment for our less mature licensees.
- We remain cautious on expectations for FY24.
- The strategic addition of Bridgewood to the DSW Network helps to Group's portfolio away from M&A activities, adds a new location and brings 10 additional fee earners.
- Invested significantly in recruitment. The Group now has a healthy pipeline with two new licensee businesses under signed heads of terms.

Questions

DSW Capital











Appendices

DSW Capital

Summary Investment Thesis

Why invest?

-  Robust, recurring income stream.
-  Predictable cost base with low operational gearing.
-  Capital light.
-  Scalable platform model.
-  Significant opportunity for organic and acquisition driven growth.
-  Cash backed profits which can support a 70% dividend pay-out ratio based on Adjusted Profit-After Tax.

The accountancy profession is ready for something new.....

The "Big 4" are under significant pressure to restructure

"We recommend that the CMA aims for a structural split or at the very least implements its proposed operational split between audit and non-audit." 2 April 2019

"The FRC has delivered a major step in the reform of the audit sector by setting principles for the operational separation of audit practices by 2024." 6 July 2020

KPMG sells pension arm
December 2019

Deloitte sells restructuring unit prior to audit reform
February 2021

EY UK warned to expect staff exits and cost cuts after failure of split
April 2023

KPMG sells restructuring business
May 2021

"Insurgents take on the scandal-hit Big Four" 17 November 2021

DSW Differentiators:

Greater flexibility

A direct link between fees and reward

100% operational autonomy

Partners also continue to benefit from:

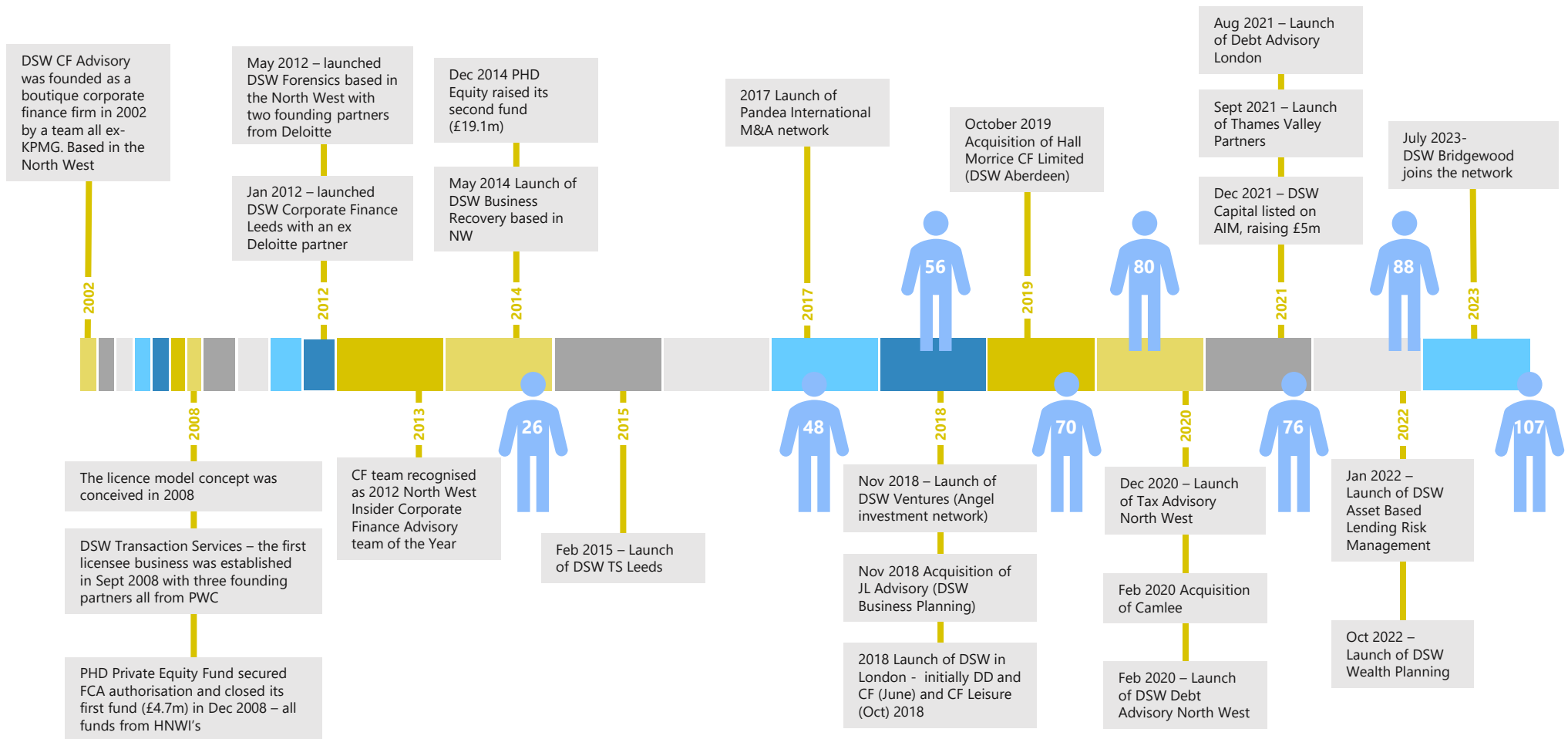
Central infrastructure support

Being part of a multi-disciplinary network

International network - Pandea Global
(M&A advisory firms in 33 key geographies)

Timeline of the Business

DSW Network has grown steadily to a team of **107 FE** working in **11 service lines** (31 March 2023)



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