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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

Deputy CEO & 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.**
- **104 licenced fee earners (“FE”)** predominantly trading under the DSW brand with 12 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** – 8.5 full time equivalent employees (“FTE”) plus executive directors.
- Ordinarily, **cash generative model** that can support a progressive dividend policy.
- **73%** revenue exposure to **SME M&A** (H1 FY23: 77%).



Key Financials H1 FY24

11.8%
YoY growth in FE

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

**£160k Revenue
per FE (LTM)**

Investment Case

Capital light to support a progressive dividend policy



Recurring revenue base



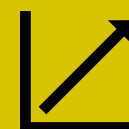
Large market ripe for disruption



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

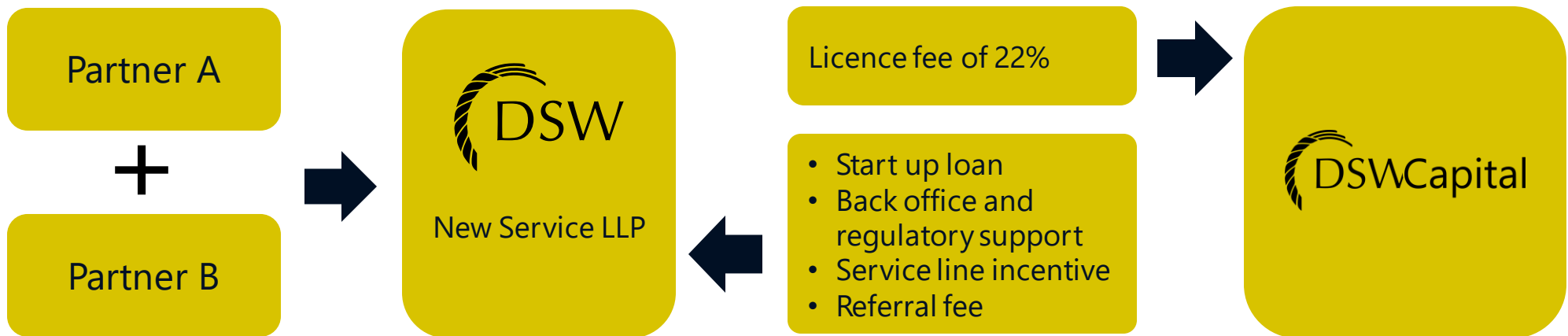


**The Forensics business has given notice of their intention to leave DSW from 31 December 2023*

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.


 Referrals and 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 on-going initiatives 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

**Completed our first
'Future Leaders'
programme**

**Invested in our IT
Infrastructure**

**Invested in new
technologies to boost
efficiency**

**Launched our ESG
Committee**

**More Internal
Networking events**

**Greater training &
development
opportunities**

**First Group wide
Employee Conference**

**Launched compliance
assurance programme**

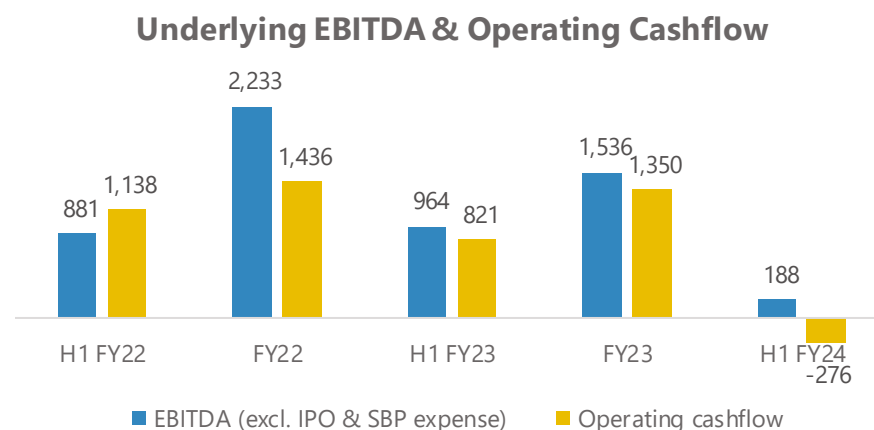
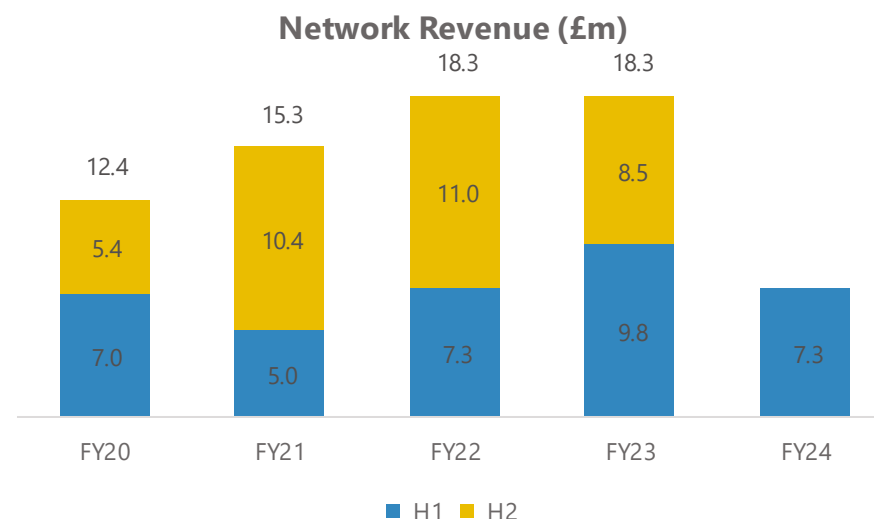
H1 FY24 Performance Highlights

- Network Revenue of £7.3m (H1 FY23: £9.8m)
- Results typically weighted to H2
- Income from licensees* decreased by £0.5m to £1.1m (H1 FY23: £1.6m)
- Underlying EBITDA+ decreased by £0.8m to £0.2m, due to challenging market conditions and investment in recruitment.
- £2.8m cash at period end, reflecting investment in Bridgewood (£0.9m), dividend payment (£0.4m) and breakout incentives paid to new partners (£0.2m).
- Proposed interim dividend of 1.25p
- Total dividends declared post IPO of 9.23p

104 FE
(11.8% YoY Growth)



20%
Growth in No. of Partners YoY



*Income from licensees defined as statutory revenue plus share of results of associates.

+ 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).

H1 FY24 Income Statement

£000s	Sept-23	Sept-22
Portfolio Income	7,309	9,786
Licence Income	1,108	1,491
Profit Share Income*	20	102
Sale of interest in LLP**	-	40
Total Income	1,128	1,633
Income from jointly controlled entity	44	-
Central Overheads	(984)	(669)
EBITDA (excl. SBP charge)	188	964
Depreciation and amortisation	(93)	(92)
Operating Profit (excl. SBP charge)	95	872
Finance income/(costs)	93	30
Loan Impairments	2	-
Profit Before Tax (excl. SBP charge)	190	902
Tax	(40)	(170)
Profit After Tax (excl. SBP charge)	150	732

Key Highlights

- Challenging market conditions.
- Recent trading more positive.
- Demand for DSW services remains steady.
- Profit share income reduced by £0.1m due to lower activity levels.
- Investment in recruitment and central infrastructure to position the Group for future growth and capitalise on increasingly favourable recruitment conditions.
- Adjusted Pre-tax Profit*** of £0.2m (H1 FY23: £0.9m).

* Includes share of results in associates (H1 FY24: £20k, H1 FY23: £124k) 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 (representing share-based payment expense).

Reconciliation to Statutory Profit for the Period

£000s	Sept-23	Sept-22
Profit After Tax (exc. SBP charge)	150	732
SBP Charge	(253)	(314)
Statutory Profit/(Loss) after Tax	(103)	418

H1 FY24 Balance Sheet

£000s	Sept-23	Mar-23
Non-current assets		
Intangible assets	725	748
Property, plant and equipment	387	440
Investments	1,422	922
Investments in associates	132	209
Interests in jointly controlled entities	30	39
Prepayments and Accrued Income	631	166
Deferred tax asset	9	9
	3,336	2,533
Current assets		
Trade and other receivables	1,911	1,491
Prepayments and Accrued income	311	350
Cash and bank balances	2,817	4,584
	5,039	6,425
Total assets	8,375	8,958
Current liabilities		
Trade Payables and other payables	187	238
Other taxation	146	211
Accruals and Deferred Income	63	133
Current tax liabilities	16	95
Lease liability	93	91
	505	768

£000s		Mar-23
Net current assets	4,534	5,657
Non-current liabilities		
Lease liability	173	220
Dilapidation provision	77	75
	250	295
Total liabilities	755	1,063
Net Assets	7,620	7,895

Key Highlights

- Investment relates to the acquisitions of Camlee and Bridgewood.
- Non-current Prepayments and accrued income increased due to accounting for the off-market element of Bridgewood loan (£0.5m).
- Intangible assets represents licensed brands.
- £2.8m cash after dividend payment of £0.4m, investment of £0.9m in Bridgewood, additional start up loans of £0.3m and breakout incentives paid to new partners of £0.2m.
- Remain debt free.
- Robust balance sheet with net assets of £7.6m and capital available to deploy.

Cash Flow Statement

£000s	Sept-23	Sept-22
Cash flows from operating activities		
Profit for the year	(103)	418
Adjustments for tax, interest, non-cash items	292	547
Operating cash flows before working capital	189	965
Working capital movements	(465)	(144)
Cash generated by operations	(276)	821
Income taxes paid	(120)	(63)
Net cash from operating activities	(396)	758
Cash flows from investing activities		
Purchases of property, plant and equipment	(16)	(14)
Investments made in the period	(986)	-
Net cash used in investing activities	(1,002)	(14)
Cash flows from financing activities		
Dividends paid	(422)	(890)
Finance lease payments	(53)	(51)
Interest received	109	42
Cost of issue of ordinary shares	(3)	-
Net cash used in financing activities	(369)	(899)
Net cash flow	(1,767)	(155)
Closing cash	2,817	4,567

£000s	Sept-23	Sep-22
Lock up days*	33	27

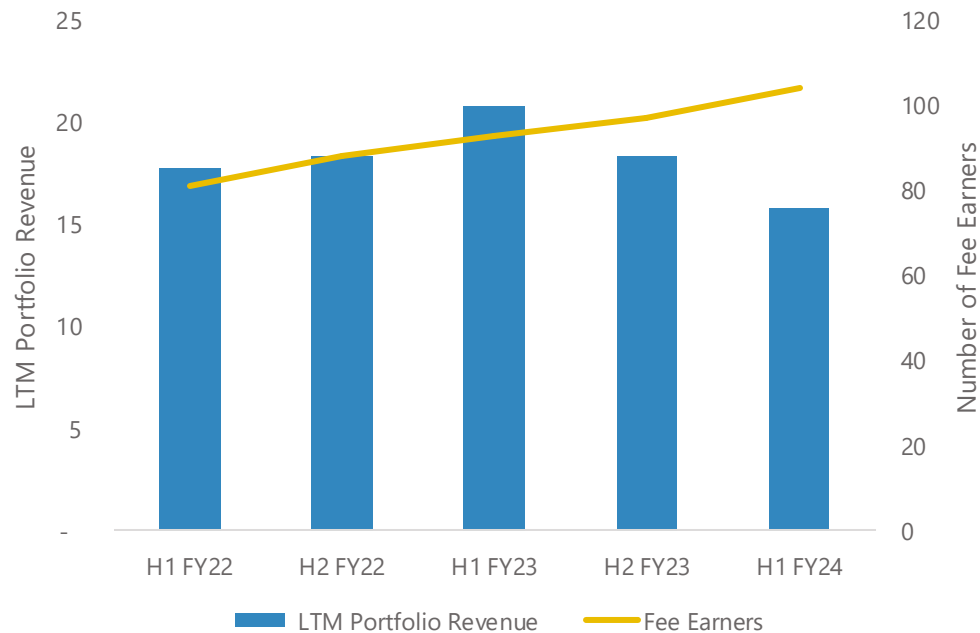
**Calculated as amounts owed from Licensees (inc. Profit Share) divided by Network Revenue*

Key Highlights

- Net cash used from operating activities reflects start up loans provided to new licensees.
- Lock up equivalent remains low at 33 days well below peer group.
- Capital light.
- Investment of £0.9m in Bridgewood, and breakout incentives of £0.2m to new partners.
- FY23 final dividend £0.4m paid in the period.
- Closing cash £2.8m.

Network KPIs

LTM Portfolio Revenue vs. Fee Earners



Fee Earners



104

11.8% YOY growth

Network Revenue



£7.3M

25.3% decrease from PY

15.6%

Average Licence Fee

(H1 FY23: 16.7%)

1:1.2

Partner to Employee ratio

(H1 FY23: 1:1.3)

50.0%
FE Ex Big Four
(H1 FY23: 62.4%)

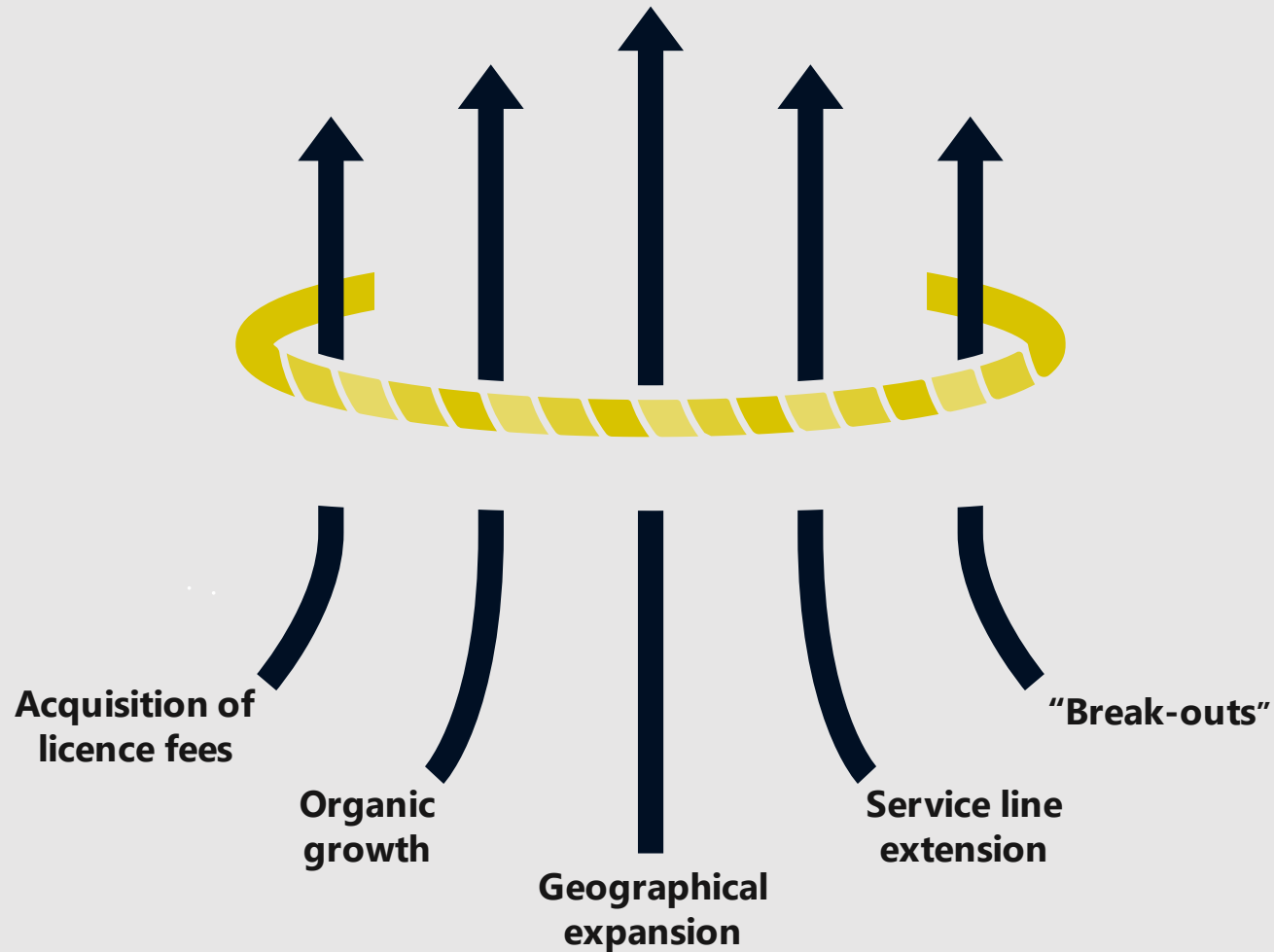
11
Offices
(H1 FY23: 9)

4.2 FE per business
(H1 FY23: 4.7)

21%
Female Partners
(H1 FY23: 22%)

48.2
Average age per partner
(H1 FY23: 48.2)

Opportunities for growth



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 continue to invest in market mapping and recruitment resource through an outsourced relationship to develop our recruitment funnel.

Our investment is reactive to the increased “push” factors and ongoing restructuring in the sector which has created a favourable recruitment environment.

Based on our current pipeline, including those under offer, we are expecting to **close the year with 51 Partners** (FY23: 42).

The growth in partners will drive further organic growth in Fee Earners in future periods as they seek to build teams.

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

Approaching **100 Partner Candidates a week***

21.4 % growth (YTD) in partners**

Breakout incentive marketing to augment recruitment process

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

Three partners* are currently under offer

**All data up to date as of 24 November 2023*

*** Includes three new partners who started in Oct-23*

Our ESG journey

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

We are delighted to have now **established our ESG Committee** who will help to shape and deploy initiatives to continue the progress made to date.

The committee is made up of **nine volunteers** from across the network and is **chaired by Pete Fendall** our Business Development & Operations Director.

The committee is split into three sub-committees who will each focus on one of our cornerstones, whilst our fourth cornerstone 'Responsible Business practices' will continue to be led by the Board

Diversity & Inclusion Leads	Environmental & Social Impact Leads	Empowering our People Leads
<ul style="list-style-type: none">• Driving our Diversity & Inclusion agenda• Developing initiatives to promote and celebrate diversity in the workplace• Champion Social Mobility, working with local colleges, schools and communities	<ul style="list-style-type: none">• Engaging with our local communities and charity partners• Explore initiatives to reduce and monitor our impact on the Environment• Promoting sustainable decision making	<ul style="list-style-type: none">• Support the professional development of our people across the Network• Promote the importance of Health, Safety & Wellbeing across the Network.• Develop initiatives that support Mental Health & Financial Health

Summary and Outlook

Summary

- Challenging market conditions but recent signs we may have reached the low point in the cycle.
- Delivered on strategic objectives with 21.4% YoY growth in partner numbers and the acquisition of licence income from Bridgewood, diversifying from M&A.
- 15% CAGR in Fee Earners since IPO.
- Opened three new locations; Cardiff, Leicester and Nottingham.
- Continue to maintain a progressive dividend policy.
- The continued development of the central support infrastructure has enhanced the value provided to current licensees and the attractiveness of the model to prospective partners.

Outlook

- The Network has seen more normalised levels of M&A activity in the three months to 31 October.
- A prolonged downturn consequently creates a more challenging environment for our less mature licensees.
- We remain cautious on expectations for FY24, with Adjusted PBT now likely to be between £1.1 to £1.4m.
- We are optimistic on our Partner Recruitment initiative, with an additional three partners under offer and expecting to join before the end of the financial year.
- The growth in partners is a lead indicator of future organic growth in Fee Earners.

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

Central infrastructure support

Being part of a multi-disciplinary network

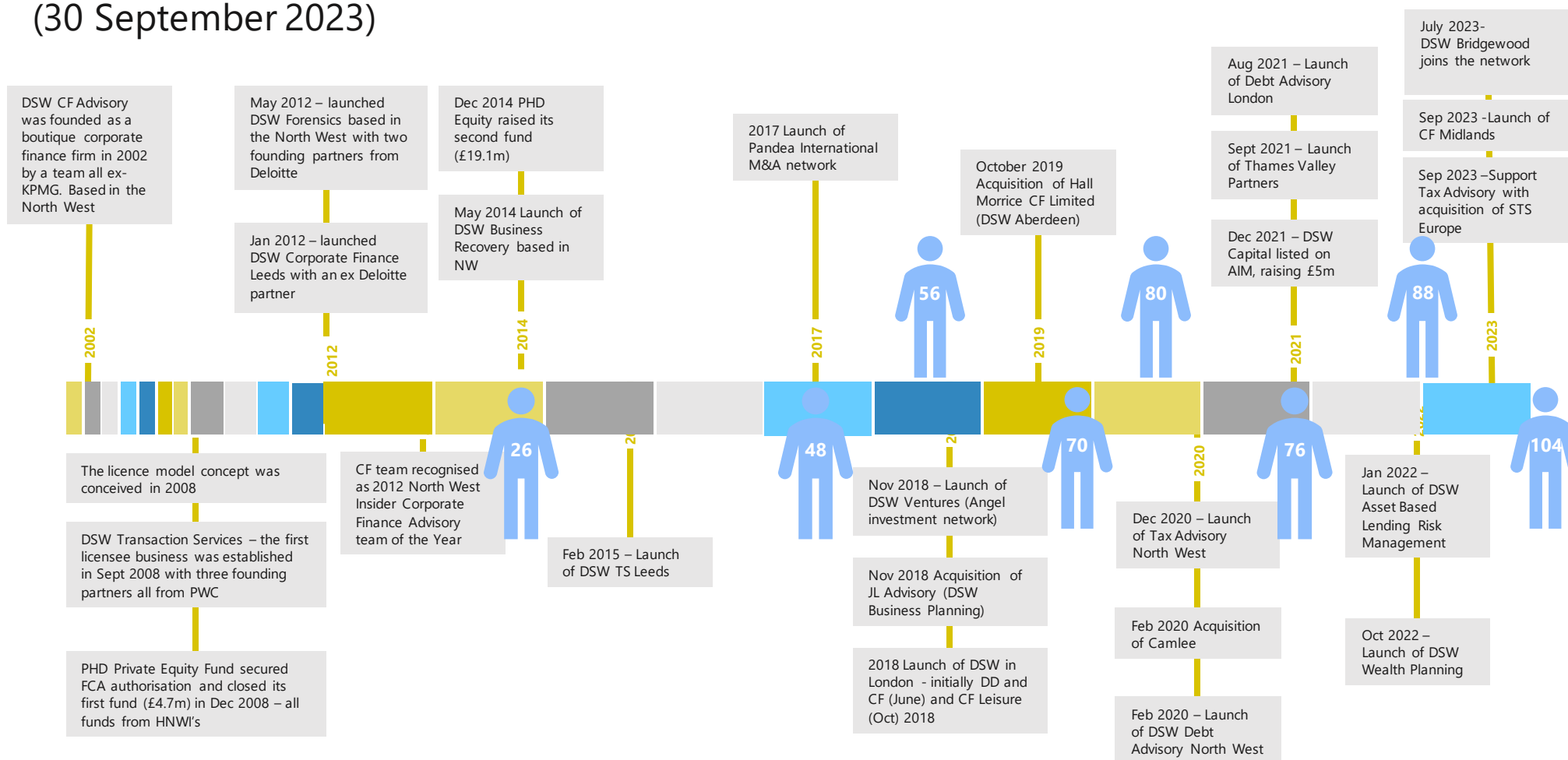
International network - Pandea Global

(M&A advisory firms in 33 key geographies)

Partners also continue to benefit from:

Timeline of the Business

DSW Network has grown steadily to a team of **104 FE** working in **11 service lines** (30 September 2023)



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