



DSW Capital plc

Full Year Results FY24

July 2024

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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.



Pete Fendall

Chief Operating Officer & Interim Chief Financial Officer

Pete joined DSW Capital in September 2021 to support with the IPO, and joined the board as COO earlier this year.

Pete previously spent 8 years with Deloitte in the North West. He was responsible for leading the audits of some of the region's largest and most complex international businesses, whilst also delivering projects for clients and providing transaction support.

In his role as COO and Interim CFO, he oversees day-to-day operations, financial reporting and leads our partner recruitment campaign. He also oversees the integration of new licensees as well as relationship management of the existing portfolio.

Pete also developed our ESG Strategy, and now chairs our ESG committee.

Overview of DSW

- **Challenger “Big 4” mid market professional services network.**
- **107 licenced fee earners (“FE”)** predominantly trading under the DSW brand with 11 locations across the UK.
- **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** – 8.4 full time equivalent employees (“FTE”) plus executive directors.
- Capital light and will have **paid 9.98p per share since IPO**, with the FY24 final dividend due in September 2024.
- **68%** revenue exposure to **SME M&A** (FY23: 68%).



Joined AIM
Dec 21



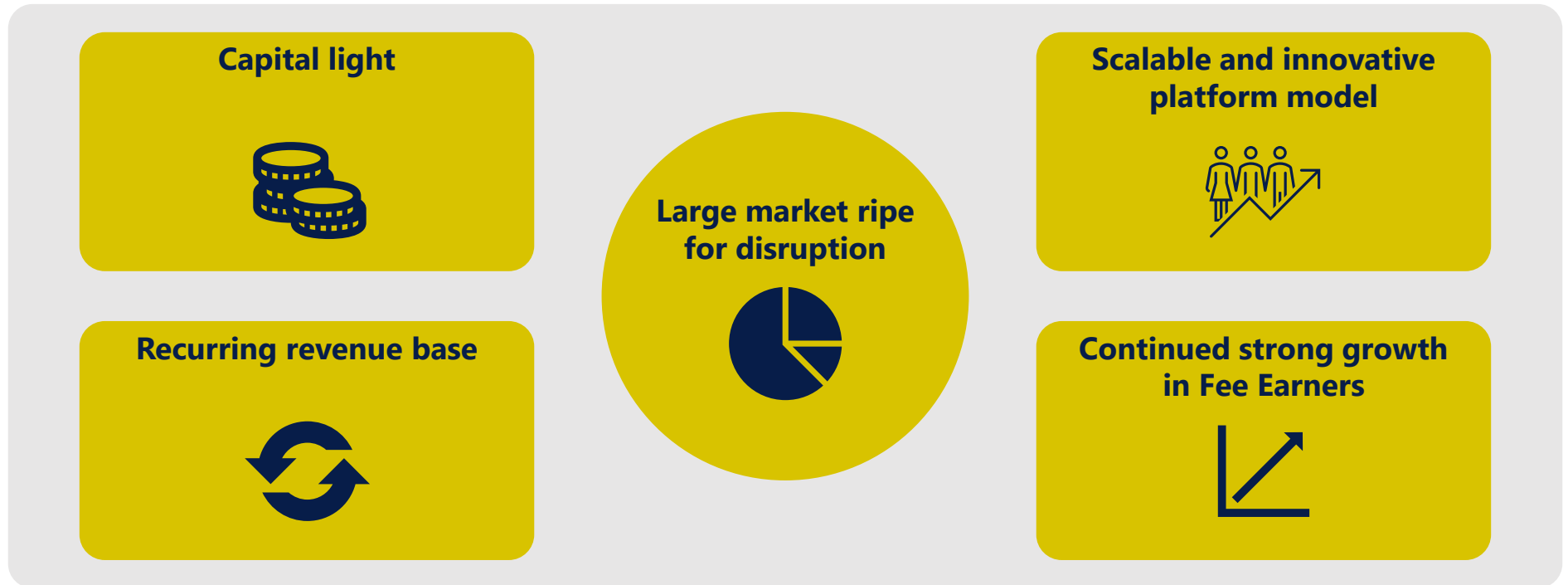
Key Financials FY24

10.3%
YoY growth in FE

19%
YoY growth in
Partners

£153k Revenue
per FE

Investment Case



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



**Corporate
Finance
Advisory**
FE=39



**Business
Recovery**
FE=20



**Financial
Due Diligence**
FE=18



**Business
Planning**
FE=7



Tax Advisory
FE=6



**Venture Capital
Funding**
FE=5



Debt Advisory
FE=4



Equity Finance
FE=4



**Asset Based
Lending Risk
Management**
FE=2



Wealth Planning
FE = 1



**Fractional
Support***
FE = 1



**Launched in January 2024*

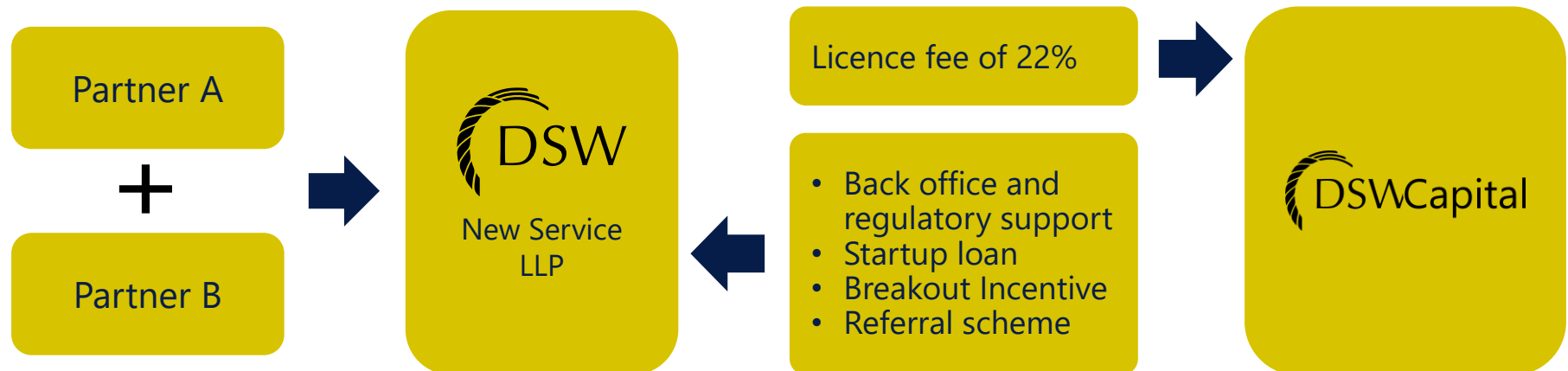
DSW Forensics LLP and DSW Scotland LLP left the DSW Network on 31 December 2023 and 31 March 2024 respectively.

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.

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

**Hosted first annual
DSW Employee
Conference**

**Established ESG
Committee**

**45% of Employees and
Partners involved with
DSW Mentoring
Scheme**

**Invested in Partner
Recruitment
Capabilities**

**Launched Internal
Collaboration
Network**

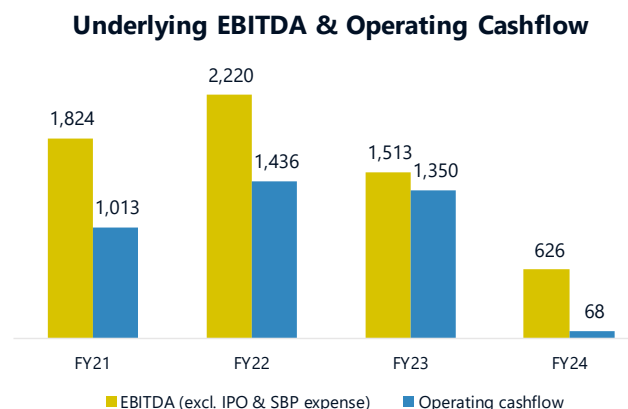
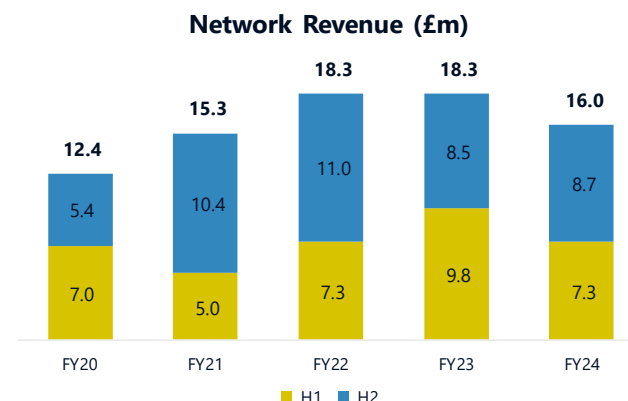
**Expanded Marketing
team and services
provided to licensees**

**Continue to invest in
IT Security &
Innovation**

**Risk management
workshops and
compliance guidance
enhancement**

FY24 Performance Highlights

- Network Revenue of £16.0m (FY23: £18.3m) – a reduction of 12.5% against a challenging macro-economic background.
- Income from licensees* decreased 18.9% to £2.4m
- Underlying EBITDA⁺ decreased by 59.2% to £0.6m, reflecting reduced income and investment in central resource, including Partner Recruitment (£0.2m)
- Cash conversion of 14% - adjusting for the cost of investment in new start up licensees, cash conversion was 61%.
- Proposed final dividend of 0.75p. Full year dividend yield 3.9%**
- Total dividends paid post IPO of 9.98p, including FY24 Final Dividend



107 FE
(10.2% YoY Growth)



19%
Growth in No. Of Partner YoY



*Income from licensees defined as statutory revenue of £2.3m plus share of results of associates of £0.1m.

** Calculated as full year dividends (£0.43m) divided by market capitalisation at 31 Mar 2024 (£11.2m) and a share price of 51.0p.

+ Underlying EBITDA is defined as profit before tax adjusted to add back impairment of loans due from associated undertakings, depreciation, amortisation and interest and other the items not considered part of underlying trading (including share-based payment expense) and to deduct finance income.

FY24 Income Statement



£000s	Mar-24	Mar-23
Portfolio Income	15,975	18,262
Licence Income	2,183	2,550
Profit Share Income*	248	408
Sale of interest in LLP**	-	40
Total Income	2,431	2,998
Income from jointly controlled entity	56	25
Central Overheads	(1,862)	(1,487)
Adj. EBITDA	625	1,536
Depreciation and amortisation	(203)	(185)
Adj. Operating Profit	422	1,351
Finance income/(costs)	214	80
Loan Impairments	(130)	(22)
Adj. Profit Before Tax****	506	1,409
Tax	(123)	(230)
Adj. Profit After Tax	383	1,179

Key Highlights

- Subdued M&A activity led to reduced Licence income despite growth in Fee Earners.
- Profit share income reduced by 39.2% due to reduced utilisation
- Investment in central infrastructure, including Recruitment and Marketing resulting in 19% increase in Partners YoY.
- Adjusted Pre-tax Profit of £0.5m, a decrease of 64% on the prior year, reflecting reduced activity and increased investment in central infrastructure.

* Includes share of results in associates (FY24: £120k, FY23: £284k) 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).

Reconciliation to Statutory Profit for the Year

£000s	Mar-24	Mar-23
Adj. Profit After Tax	383	1,179
SBP Charge	(299)	(694)
Statutory Profit/(Loss) for the year	84	485

FY24 Balance Sheet



£000s	Mar-24	Mar-23
Non-current assets		
Intangible assets	696	748
Property, plant and equipment	363	440
Lease receivable	82	-
Investments	1,499	1,025
Investments in associates	145	209
Interests in jointly controlled entities	21	39
Prepayments and Accrued Income	800	69
Deferred tax asset	2	9
	3,608	2,539
Current assets		
Trade and other receivables	1,817	1,491
Prepayments and Accrued income	452	344
Current tax asset	30	-
Lease receivable	49	-
Cash and bank balances	2,632	4,584
	4,980	6,419
Total assets	8,588	8,958
Current liabilities		
Trade Payables and other payables	276	238
Other taxation	179	211
Accruals and Deferred Income	94	133
Current tax liabilities	-	95
Lease liability	153	91
	702	768

£000s	Mar-24	Mar-23
Net current assets	4,278	5,651
Non-current liabilities		
Lease liability	218	220
Dilapidation provision	80	75
	298	295
Total liabilities	1,000	1,063
Net Assets	7,588	7,895

Key Highlights

- Intangible assets represents licensed brands.
- Investments relate to the acquisition of Camlee in FY20 and Bridgewood in FY24.
- Prepayments and Accrued Income over one year relates to Breakout Incentives (£0.4m) and Below Market Element of Loans to licensees (£0.4m)
- £2.6m cash after investments of £1.2m & payment of £0.7m dividends in the period.
- Remain debt free.
- Robust balance sheet with net assets of £7.6m, capital available to deploy.

Cash Flow Statement



£000s	Mar-24	Mar-23
Cash flows from operating activities		
Profit for the year	84	485
Adjustments for tax, interest, non-cash items	541	1,051
Operating cash flows before working capital	625	1,536
Working capital movements	(540)	(186)
Cash generated by operations	85	1,350
Income taxes paid	(241)	(203)
Net cash from operating activities	(156)	1,147
Cash flows from investing activities		
Purchase of IP and trademarks	(7)	-
Purchases of property, plant and equipment	(43)	(43)
Investments made in the period	(1,180)	-
Net cash used in investing activities	(1,230)	(43)
Cash flows from financing activities		
Dividends paid	(687)	(1,261)
Net lease receipts/(payments)	(108)	(77)
Interest received/(paid)	233	104
Cost of issue of ordinary shares	(4)	(8)
Net cash used in financing activities	(566)	(1,242)
Net cash flow	(1,952)	(138)
Closing cash	2,632	4,584

£000s	Mar-24	Mar-23
Operating cash conversion* (%)	14%	88%
Operating cash conversion before loans to new start-ups (%)	61%	101%

*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

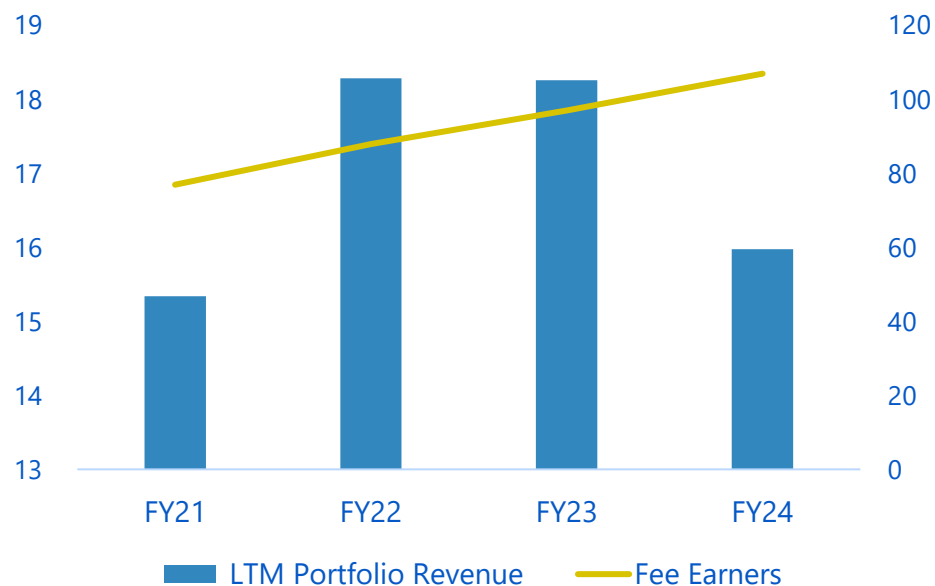
- Net cash used from operating activities reflects start up loans provided to new licensees
- Lock up equivalent 28 days** well below peer group.
- Capital light.
- Operating cash conversion movement driven by increased loans to new licensees.
- Investments in Bridgewood (£0.9m) and Breakout Incentives (£0.4m)
- FY23 final dividend of £0.4m and FY24 interim dividend of £0.3m paid
- Closing cash £2.6m.

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

Network KPIs



LTM Portfolio Revenue vs. Fee Earners



Fee Earners



107

10.3% YOY growth

Network Revenue



£16.0M

12.5% decline on PY

15.4%
Average Licence Fee
(2023: 16.6%)

1:1.1
Partner to Employee ratio
(2023: 1:1.3)

46.7%
FE Ex Big Four
(2023: 61.3%)

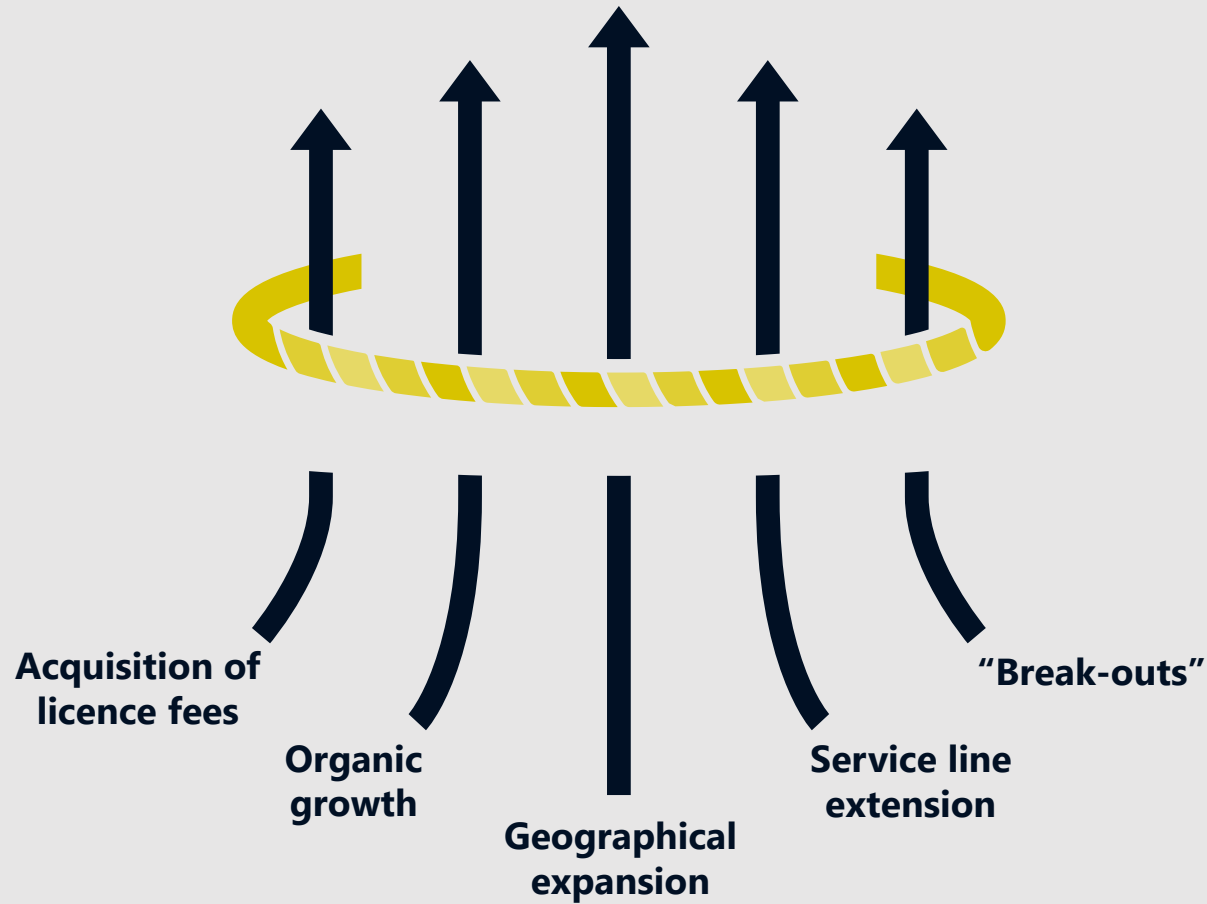
£153k
Revenue per FE
(2023: £193k)

4.6 FE per business
(2023: 4.6)

16%
Female Partners
(2023: 24%)

48
Average age per partner
(2023: 50)

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.



Niche legal services.



Other Big 4 (non-audit) service lines.

Recruitment



In FY24, we invested £0.2m to bolster our Partner Recruitment capabilities, which contributed to 13 New Partners – A 19% net increase YoY.

Our investment allows us to take advantage of the increased “push” factors encouraging people to seek new opportunities, such as delayed promotions, disappointing salary reviews and lower bonuses, all of which are consequences of a slowdown in activity.

Our in-house recruitment team has grown from 2 to 3, and in FY24 we have focussed on our partner candidate outreach but also enhancing our internal and external processes to embed efficiencies and data gathered over the course of FY24.

Mapped **over 7,500 professionals** across multiple services lines and regions

Approached **c.100 Partner Candidates a week***

Welcomed **six new licensees** to the DSW Network

Brought **recruitment capabilities in-house** to continue momentum in FY25

Increased brand profile expected leading to increased **inbound recruitment pipeline** at all levels

Expanded DSW presence to **four new locations** across the UK

**All data up to date as of 30 June 2024*

Our ESG journey



In FY24, we established our ESG Committee made up of representatives from across the organisation, to drive forward our ESG initiatives across all four cornerstones.

Social & Environmental Impact

- Reduced our Scope 1 Emissions by 53.4%
- Scope 1 & 2 Emissions reduced by 31.0%
- Charitable initiatives to be launched FY25

Diversity & Inclusion

- International Women's day panel event
- Ongoing awareness and training Programmes
- Apprentices, Graduates and Interns

Empowering Our People

- Group wide DSW employee conference
- DSW Mentor programme
- Future Leaders programme

Responsible Business Practices

- Code of Conduct
- Adopt QCA Code
- Whistleblowing & ABC policies
- Risk Management workshops
- Enhanced Supplier Due Diligence Procedures

We look forward to sharing our progress with you as we continue to demonstrate our commitment to our ESG journey, ensuring our strategy reflects our values, priorities and ambitions.

Summary and Outlook



Summary

- Network Revenue of £16.0m (FY23: £18.3m) – a decline of 12.5% against an economically challenging background
- 30.5% increase in FEs since the admission to AIM in December 2021, just over two years ago - heightened profile and licence model driving recruitment.
- Named by Experian as the 19th most active corporate finance adviser in the UK in 2023.
- High cash generation has enabled 9.98p dividend per share to be paid post IPO.
- Central initiatives rolled-out within the year have enhanced value for current and prospective licensees.
- Significantly enhanced our recruitment capabilities, embedding talent and process to set us up for future success.

Outlook

- FY25 trading performance to date performing in line with expectations.
- A prolonged downturn consequently creates a more challenging environment for our less mature licensees.
- We remain cautious on expectations for FY25.
- The strategic addition of Bridgewood and STS Europe to the DSW Network helps to diversify the Group's portfolio away from M&A activities.
- FY25 should also benefit from the full year impact of the six new licensees added in the year.

Questions











Appendices

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 have supported 9.98 pence per share to be paid to Shareholders post-IPO

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

The "Big 4" are under significant pressure to restructure

"Big four firm to freeze pay for 12,000 jobs as services slowdown continues." City AM, 24th November 2023

"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

"KPMG to cut further 200 UK jobs amid market slowdown"
The Financial Times, 20th June 2024

DSW Differentiators:

Greater flexibility

A direct link between fees and reward

100% operational autonomy

Central infrastructure support

Being part of a multi-disciplinary network

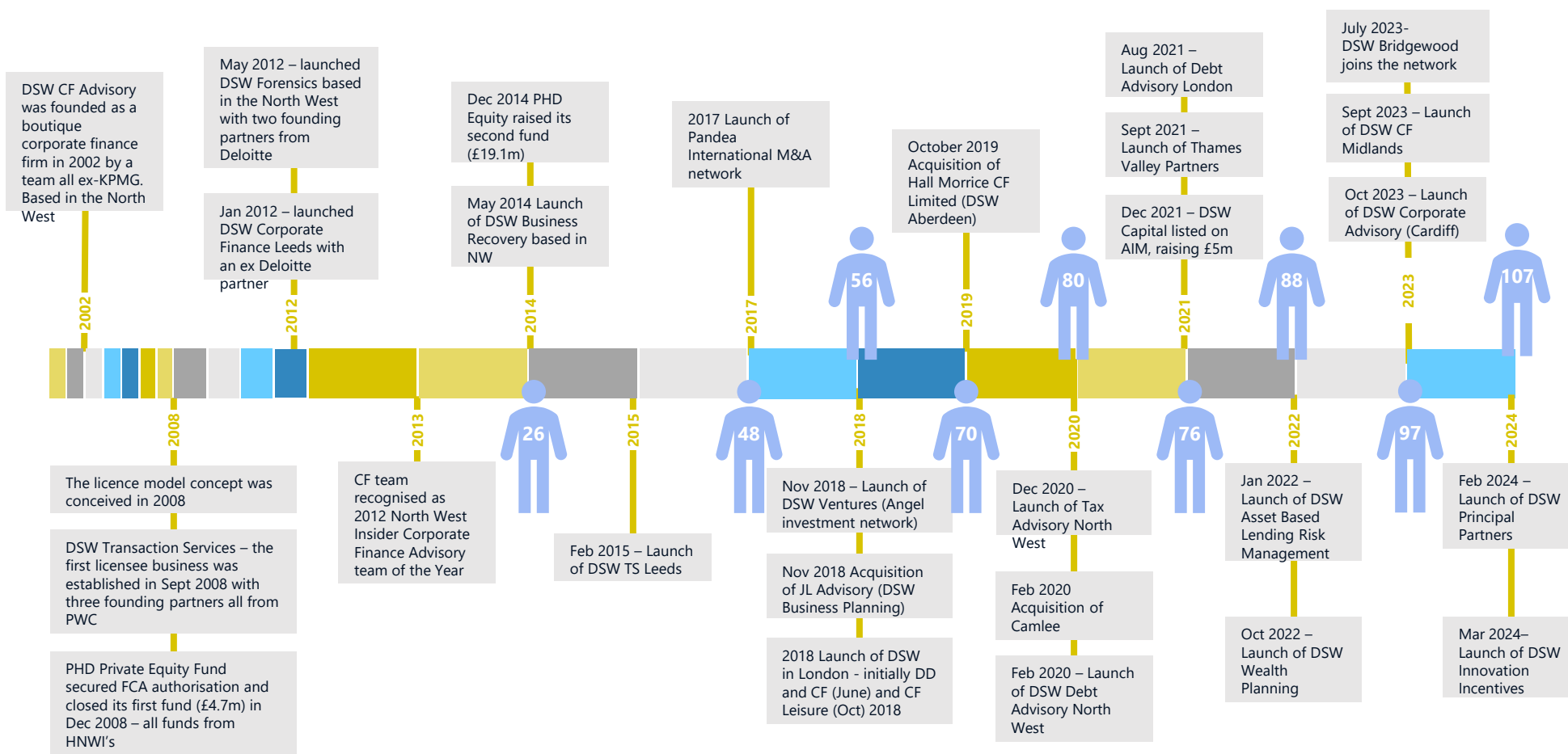
International network - Pandea Global

(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 **107 FE** working in **11 service lines** (31 March 2024)



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