



Dow Schofield Watts

Una Validores

Introduction to DSW Capital plc

Wednesday 25th May 2022

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Today's Presenters

Executive Directors



James Dow

Chief Executive

James established Dow Schofield Watts LLP in 2002.

James is qualified as both a Chartered Accountant and Cost 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.

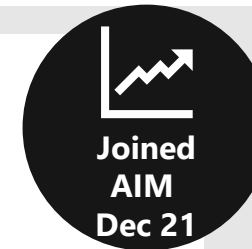
Nicole previously spent 15 years with Deloitte in Manchester. As a Director, she was responsible for leading the audits of some of the region's largest and most complex international businesses, more recently focusing on listed businesses.

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 FD 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.**
- **88 licenced fee earners** predominantly trading under the DSW brand with 6 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** and “head office in nature” – 5.8 FTE plus executives (excluding directors).
- **Cash generative** and can **support a 70% dividend pay-out ratio** based on Adjusted Profit-After Tax



**Key Financials
FY22**

**14.3%
YoY growth in
Fee Earners**

**28.2%
Total Network
Revenue
3yr CAGR**

**£227k Revenue
per Fee Earner**

Network Awards and Market Recognition



Niche Firm of the Year
Yorkshire Accountancy
Awards 2020 & 2021



**6th UK, 1st North West, 3rd
Scotland, 5th Midlands, 5th
South West**
by deal volume
Experian Report Q1 2022



**Mid Market Corporate
Advisory Team of the Year**
Insider Awards
2015/2016/2017/2020

AccountancyAge

**Top 50+50 Accountancy
Firms UK Ranked 49th**
Accountancy Age 2021

The Investment Thesis: DSW Capital

We have created a robust and innovative platform model to expand our services, disrupting the traditional model of accounting firms.

- Recurring revenue base.
- Track record of high growth.
- Scalable, capital light model.
- Strong cash generation which enables high percentage of earnings to be paid out as dividends.

The AIM listing has:

- increased our profile facilitating geographic and service line roll out;
- provided capital for the acquisition of licence fee income from other existing businesses; and
- accelerated organic growth through recruitment and network revenue.



Growth Strategy

We plan to accelerate growth through:

- Acquisition of licence fees
- Organic growth
- Geographical expansion
- Service line extension
- "Break outs"

We are currently targeting high growth, high margin, complementary service lines with a strong synergistic fit with our existing portfolio.

We believe the accounting profession is ready for something new

Our partners are given greater flexibility, a direct link between fees and reward, and autonomy to build their businesses which are key differentiators in the market.

We have developed an international network of selected M&A advisory firms in 28 key geographies around the globe via Pandea Global M&A.

The market opportunity is significant as 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." - BEIS report, March 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." FRC July 2020

"KPMG sells pension arm."
December 2019

"Deloitte sells its restructuring unit before audit reform."
February 2021

"KPMG completes sale of restructuring business"
May 2021

"Insurgents take on the scandal-hit Big Four."
- Financial Times, November 2021

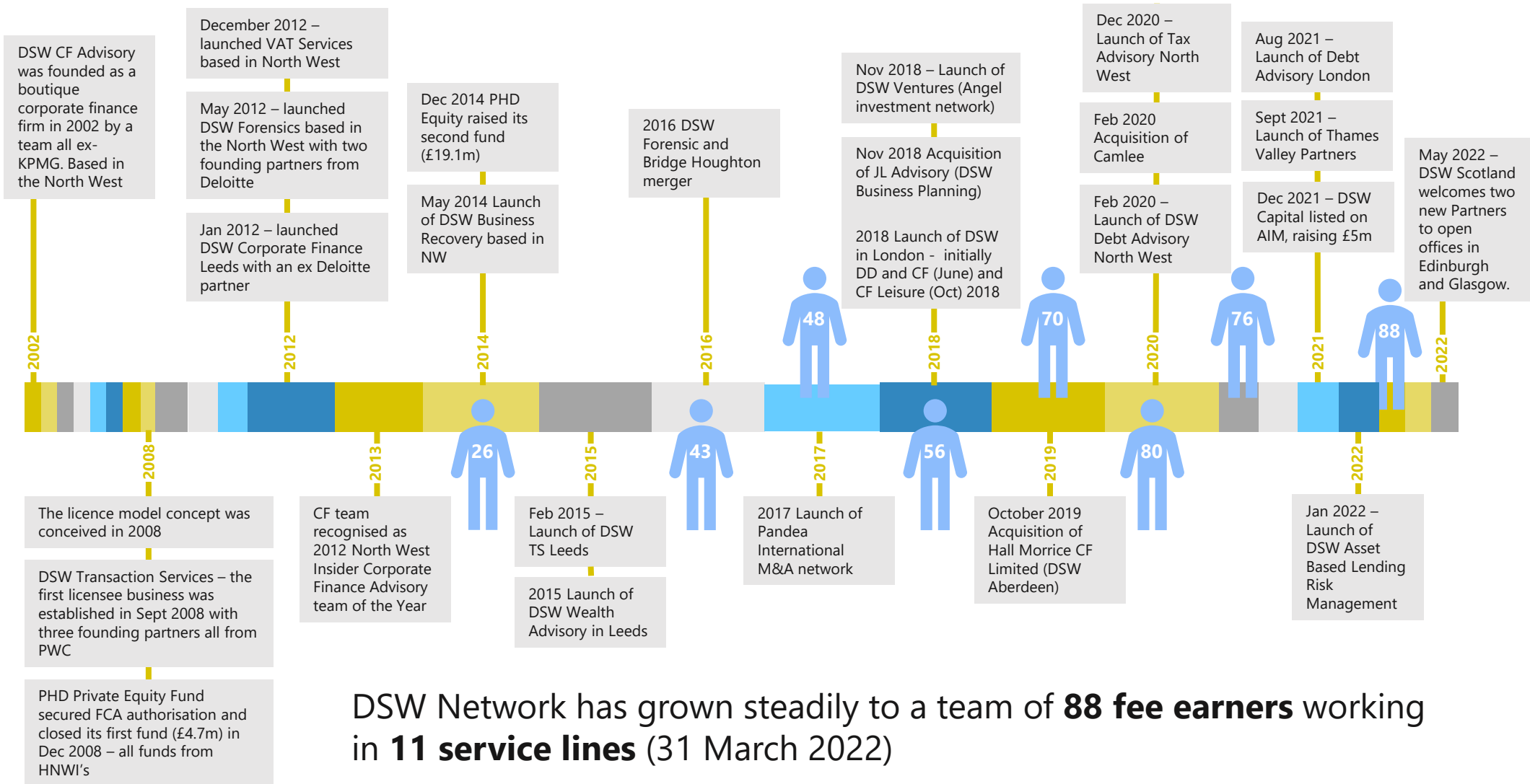
"DSW opens office in Edinburgh as part of Scottish expansion"
April 2022

"DSW ranked in UK Top 10 dealmakers"
Experian May 2022

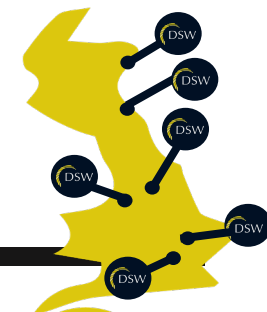
"DSW win Niche Firm of the Year."
Yorkshire Accountancy Awards
December 2021

"DSW launch £2m grant fund to attract professional services teams"
March 2022

Timeline of the Business



Current Service Lines



Corporate Finance Advisory

Award winning
Mid-market
£24m average deal size
FE=35



Financial Due Diligence

Established in 2008
Award winning
Mid-market
FE=16



Business Recovery

Established in 2014
Advisory,
restructuring and
rescue and
Insolvency
FE=8



Business Planning

Joined DSW in 2018
Financial and
commercial advice
to private and public
sector FE=6



Equity Finance

Established 2008
2 successful fund
raises from HNWI
(£4.7m and £19.1m)
FE=4



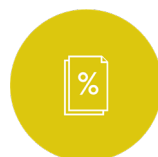
Forensic Services

Established in 2012
Expert witness,
dispute and
investigation
services
FE=5



Angels Network

Venture capital
high-growth
regional start ups -
invests £0.3m-£1m
Backed by HNWI EIS
investors and British
Business Bank
FE=4



Debt Advisory

Established in 2020
SMEs and mid -
market businesses
raising debt of c.£3 -
£250m
FE=4



Tax Services

Established in 2021
Corporate tax
advice, inheritance
tax planning and
R&D Tax credits
FE=3



Wealth Advisory *

Established in 2015
c.£115m AUM
FE = 1



Asset Based Lending Risk Management

Established in 2022
Due diligence and
risk management
Established in 2022
FE = 2

**The partner of the Wealth Advisory business will be leaving the DSW Network with effect from Q1 FY23. As at the date of this presentation, the Wealth Advisory business remains a part of the DSW Network. This will not have a material impact on the results of the group.*

The DSW Licence Model

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.

Generally, a typical licensee arrangement includes

- a licence fee between 10-22%;
- back office support;
- a recharge for property costs; and
- participation in a service line incentive to promote collaboration.



Enabling professionals to focus on building their own business

Strengths to DSW Capital






- High levels of recurring income
- Minimal direct exposure to property costs and employee costs
- Licensees are, by their nature, “self-starters”, entrepreneurial which drives their own profitability
- Licence agreements can be flexed to introduce new partners
- Back office support acts as a “glue” to tie the businesses in for the longer term
- Capital light and highly cash generative

Strengths to the Licensee

- Strong perceptions of credentials and capability enhancing billing rates. Access to better quality work and clients.
- Referrals from the wider network and access to multidisciplinary services.
- Easier recruitment and benefits of central marketing and PR
- Back office support allows the licensees to focus on growing their business
- DSW provides the initial funding, including partner drawings

FY22 Performance Headlines

“The Group has continued to trade strongly, following its IPO in December 2021, and is pleased to report that expected Revenue and Adjusted Pre-Tax Profit for FY22 are ahead of market expectations, subject to audit” – *Trading Update 10th May 2022*

 <p>88 Fee Earners</p>	<p>14.3% YOY growth in Fee Earners</p>	<p>£227k Rev. Per Fee Earner (15.8% increase YOY)</p>	<p>69.1% Fee Earners Ex Big Four</p>	<p>Key Financials</p>	
 <p>20 Licensees</p>	 <p>Pandea Network covering 28 countries with 28 members</p>		<p>47.6 Average age per partner</p>		<p>£18.3M Network Revenue¹</p>
 <p>60% Female plc Board</p>		 <p>11 Service Lines</p>	<p>23% Female Partners</p>		<p>28.2% 3-year Historical Network Revenue CAGR</p>
<p>60% Female plc Board</p>			<p>23% Female Partners</p>	<p>70% Dividend Pay-out Ratio based on Adj.PAT</p>	

¹ Network Revenue is defined as total revenue earned by licensees as opposed to total revenue reported by the Company

Post-IPO Activity



New service line - DSW Asset Based Lending Risk Management



New locations – 2 new partners in Edinburgh and Glasgow and a new office in Manchester.



Increased headcount to 88, 14.3% YoY increase



Named 6th most active corporate finance advisor in the UK in the first quarter of 2022 by Experian.

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

Summary

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

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