

12 September 2024

Keystone Law Group Plc
("Keystone", the "Group" or the "Company")

Results for the six months ended 31 July 2024

- Strong financial performance continuing to deliver sustainable growth and progressive dividends
- Recruitment activity remained buoyant with Keystone adding 30 new Principals across H1 2025
- Keystone now expects revenue and adjusted PBT slightly ahead of current expectations for FY 2025

Keystone, the tech-enabled challenger law firm, is pleased to announce its results for the six months ended 31 July 2024 ("H1 2025" or the "Period").

Financial Highlights:

- Revenue growth of 8.3% to £46.5 million (H1 2024: £42.9 million*)
- Adjusted PBT increased by 7.2% to £6.1 million (H1 2024: £5.7 million)
- Adjusted PBT margin stable at 13.1% (H1 2024: 13.3%)
- Adjusted basic EPS of 14.6p (H1 2024: 13.6p)
- Cash generated from operations of £6.2 million (H1 2024: £6.3 million) with operating cash conversion of 106% (H1 2024: 113.3%); the Group remains debt-free and with net cash of £8.3m
- Declared interim ordinary dividend of 6.2p per share (H1 2024: 5.8p)

**restated as per restatement in recent annual report and accounts*

Operational Highlights:

- Strong performance across all recruitment KPI's as the legal recruitment market remained positive:
 - 153 high-calibre new applicants in the Period (H1 2024: 144)
 - 56 offers made (H1 2024: 42) and 31 offers accepted (H1 2024: 25)
 - 30 new Principals joined in the Period, increasing the number of Principals to 442 (31 January 2024: 432).
- Total fee earners increased to 557 (31 January 2024: 549)
- Current refurbishment of the London office which, when complete, will provide greater workplace flexibility and enhanced lawyer experience, remains on track
- The calibre of candidates joining the Group demonstrates the mainstream appeal of the model and emphasises Keystone's position as market leader within our sub-sector

Current Trading and Outlook:

- In light of the strong first half performance and the positive start to the second half of the year, the Board is confident that Keystone will deliver both revenue and adjusted PBT slightly ahead of current market expectations.

James Knight, Chief Executive Officer of Keystone, commented:

"Keystone's position in the market continues to strengthen and I am delighted that our ongoing operational excellence has been reflected in our financial performance. The business has delivered well across all our operational KPIs, reflecting the ongoing growth in demand for the benefits that Keystone provides."

Analyst Briefing

A meeting for analysts will be held virtually at 9.30am this morning. Analysts wishing to attend this event can register via email at keystonelaw@vigoconsulting.com.

Retail Investor Presentation

Keystone's management team will provide a separate presentation and Q&A for investors at 1.00pm on Monday 16 September 2024.

The presentation will be hosted on the Investor Meet Company digital platform, where questions can be submitted pre-event up until 9.00am on the day before the meeting, or at any time during the live presentation.

To sign up to IMC, please visit: www.investormeetcompany.com/keystone-law-group-plc/register-investor

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR").

Notes to editors

Keystone (AIM: KEYS), is an award-winning, UK Top 100, law firm, providing conventional legal services in a £10bn addressable market through its scalable and unique model, with three defining characteristics:

- Lawyers have freedom, flexibility and autonomy, and are paid up to 75% of what they bill.
- Lawyers determine how, when and where they work, in contrast to the conventional law firm model.
- Lawyers are provided full infrastructure and support via its central office team, bespoke user-friendly IT platform, an extensive network of high-calibre colleagues and a busy programme of networking and social events.

Keystone is a full-service law firm, with 20 service areas and more than 50 industry sectors delivered by almost 450 high-calibre self-employed Principal lawyers who work from their own offices.

In November 2020, Keystone was named Law Firm of the Year by The Lawyer, the first time a 'new' law firm has won the award.

More information about Keystone can be found at www.keystonelaw.co.uk.

CHIEF EXECUTIVE'S STATEMENT

I am pleased to report that Keystone has continued to perform well, delivering strong results for the first half of this financial year ("H1 2025" or the "Period"). Revenue for the period of £46.5m was 8.3% up on H1 2024 (restated) (£42.9m), reported PBT rose to £5.5m and adjusted PBT⁽¹⁾ increased to £6.1m (increases of 5.3% and 7.2% on H1 2024 results of £5.3m and £5.7m respectively). Furthermore, the cash generative nature of the model meant that these profits converted to cash, with cash generated from operations of £6.2m (H1 2024: £6.3m).

Conditions in the legal recruitment market have also remained positive for Keystone and we have experienced increases across all the recruitment KPIs as shown in the graph below.

	Qualified New Applicants	Offers Made	Offers Accepted	Starters
H1 2023	122	34	17	22
H1 2024	144	42	25	25
H1 2025	153	56	31	30

H1 2025 saw 30 new Principals join us, bringing the total number of Principals to 442 (31 January 2024: 432). As highlighted in our recent Annual Report and Accounts, Keystone now regularly attracts candidates from the leading law firms in the UK, which continued to be the case during the first half of this year. This demonstrates the mainstream acceptability and appeal of Keystone's model, as well as our position as market leader within the sub-sector, commonly referred to as the 'platform' or 'consultancy' model.

The central office team has continued to deliver outstanding support to all our lawyers, both new and existing. Successfully onboarding new joiners is a key element in ensuring the long-term sustainable growth of the business, whilst providing excellent ongoing support to established Keystone lawyers is equally fundamental. It is important for us to focus as much on service delivery and lawyer retention as we do on recruitment. During the Period, the team has worked unceasingly to successfully deliver on each of these objectives. For our new lawyers, this has meant providing a bespoke, one-to-one onboarding process, focusing on understanding the individual needs and opportunities of each new Principal, providing solutions to any challenges they may have and helping them to build the professional support network which they need to maximise the opportunities which their practice offers. For our established lawyers, the team has focused on continually enhancing the lawyer experience whilst delivering support of the highest calibre across all departments.

Having renewed our leases in Chancery Lane, we have been busy planning the refit of the two floors to enhance the workspace experience. The implementation phase of the project started in July and will continue through H2 2025; during which time, we will maintain service levels for our lawyers by maintaining one floor open throughout. Once

completed, our lawyers and the central office team will benefit from a modern, flexible environment providing a variety of workspaces, including highly professional client meeting rooms, collaborative workspaces and areas for silent working.

I would like to take this opportunity to thank my central office colleagues for their dedication and passion, which continues to drive the business forwards and has made these results possible.

Dividend

I am pleased to announce that the Board has declared an interim ordinary dividend of 6.2p per share. This dividend will be payable on 11 October 2024 to shareholders on the register on 20 September 2024, and the shares will go ex-dividend on 19 September 2024.

Summary and outlook

We are delighted with the all-round success of the H1 2025 results. We have delivered a strong performance across all KPIs of the business, continuing to build sustainable growth and increased profits whilst re-enforcing Keystone's position as a market leader.

Although the UK economy continues to have its challenges and the recent change in government has introduced a new element of uncertainty to the future, we remain confident that Keystone will continue to build on this performance to deliver ongoing sustainable growth. Therefore the Board is confident that Keystone will deliver both revenue and adjusted PBT slightly ahead of current market expectations⁽²⁾.

James Knight

Chief Executive Officer

11 September 2024

(1) Adjusted PBT is calculated using profit before tax and adding back amortisation and share-based payments for all periods.

(2) Management understands current market expectations to be revenue of £93.3m and adjusted PBT of £11.5m.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 July 2024

	Note	6 months to July 2024 (Unaudited) £	6 months to July 2023 (Restated) (Unaudited) £
Revenue		46,468,026	42,889,098
Cost of sales		(34,383,352)	(31,645,054)
Gross profit		12,084,674	11,244,044
Trade receivables impairment		(255,217)	(584,285)
Corresponding reduction in trade payables		177,885	432,370
		(77,332)	(151,915)
Depreciation and amortisation		(447,286)	(448,914)
Share-based payments	2	(378,934)	(250,073)
Administrative expenses	2	(6,194,844)	(5,591,918)
Other operating income		28,710	23,698
Operating profit		5,014,988	4,824,922
Finance income		929,379	689,802
Finance costs		(400,167)	(249,121)
Profit before tax		5,544,200	5,265,603
Corporation tax expense		(1,492,880)	(1,430,321)
Profit and total comprehensive income for the period attributable to equity holders of the Parent		4,051,320	3,835,282
Basic EPS (p)	1	12.9	12.2
Diluted EPS (p)	1	12.6	12.0

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2024

	Note	31 July 2024 (Unaudited) £	31 July 2023 (Unaudited) £	31 January 2023 (Audited) £
Assets				
Non-current assets				
Property, plant and equipment				
- Owned assets		80,028	168,197	120,517
- Right-of-use assets		2,206,259	308,146	2,428,005

Total property, plant and equipment		2,286,287	476,343	2,548,522
Intangible assets		4,880,512	5,231,396	5,055,954
Investments		129,350	13,627	129,350
		7,296,419	5,721,366	7,733,826
Current assets				
Trade and other receivables	3	27,270,682	23,672,904	25,194,349
Corporation tax		29,899	-	-
Cash and cash equivalents		8,311,102	11,347,917	8,367,072
		35,611,683	35,020,821	33,561,421
Total assets		42,907,832	40,742,187	41,295,247
Equity and liabilities				
Equity				
Share capital		63,186	62,797	62,963
Share premium		9,920,760	9,920,760	9,920,760
Share-based payments reserve		874,353	1,077,714	1,059,531
Retained earnings		6,562,760	7,464,355	5,896,437
Equity attributable to equity holders of the Parent		17,421,058	18,525,626	16,969,691
Non-current liabilities				
Lease liabilities		1,762,833	-	2,027,866
Deferred tax liabilities		14,610	84,789	49,699
Provisions		912,071	-	907,945
		2,689,514	84,789	2,985,510
Current liabilities				
Trade and other payables		22,202,412	20,125,906	19,782,587
Lease liabilities		594,848	416,905	344,804
Provisions		-	207,586	-
Corporation tax liability		-	1,381,375	1,242,655
		22,797,260	22,131,772	21,370,046
Total liabilities		25,486,773	22,216,561	24,355,556
Total equity and liabilities		42,907,832	40,742,187	41,295,247

The interim statements were approved and authorised for issue by the Board of Directors on 11 September 2024 and were signed on its behalf by:

A Miller
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 July 2024

	Share capital	Attributable to equity holders of the Parent			Total
	£	Share premium £	Share-based payment reserve £	Retained earnings £	£
At 31 January 2023 (audited)	62,732	9,920,760	1,028,247	6,847,378	17,859,117
Profit for the period and total comprehensive income	-	-	-	3,835,282	3,835,282
Transactions with owners					
Share-based payments vesting	65	-	(200,605)	200,605	65
Share-based payments awards	-	-	250,072	-	250,072
Dividends paid	-	-	-	(3,418,910)	(3,418,910)
At 31 July 2023 (unaudited)	62,797	9,920,760	1,077,714	7,464,355	18,525,626
Profit for the period and total comprehensive income	-	-	-	3,814,408	3,814,408
Transactions with owners					
Share-based payments vesting	166	-	(378,755)	378,755	166
Share-based payments awards	-	-	360,572	-	360,572
Dividends paid	-	-	-	(5,761,081)	(5,761,081)
At 31 January 2024 (audited)	62,963	9,920,760	1,059,531	5,896,437	16,939,691
Profit for the period and total comprehensive income	-	-	-	4,051,320	4,051,320
Transactions with owners					
Share-based payments vesting	223	-	(564,112)	564,112	223
Share-based payments awards	-	-	378,934	-	378,934
Dividends paid	-	-	-	3,949,109	3,949,109
At 31 July 2024 (unaudited)	63,186	9,920,760	874,353	6,562,760	17,421,058

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 July 2024

6 months to July 2024 (unaudited) 6 months to July 2023 (unaudited) Year ended 31 January 2024 (unaudited)

	Note	2024 (Unaudited) £	(Unaudited) £	2024 (Audited) £
Cash flows from operating activities				
Profit before tax		5,544,200	5,265,603	10,306,331
Adjustments to cash flows from non-cash items				
Depreciation and amortisation	2	447,286	448,914	897,814
Share-based payments		378,934	250,073	610,644
Revaluation of other assets		-	-	(70,810)
Finance income		(929,379)	(689,802)	(1,575,930)
Finance costs		400,167	249,121	686,726
		5,841,208	5,523,909	10,854,775
Working capital adjustments				
(Increase) in trade and other receivables		(2,076,333)	(1,066,996)	(2,588,441)
Increase in trade and other payables		2,419,825	1,778,548	1,435,229
Increase in provisions		4,126	24,085	724,444
Cash generated from operations		6,188,826	6,259,546	10,426,007
Interest paid on client balances		(370,980)	(201,475)	(615,726)
Interest portion of lease liability		(29,187)	(47,646)	(71,468)
Corporation taxes paid		(2,800,524)	(805,656)	(2,205,784)
Cash generated from operating activities		2,988,135	5,204,769	7,533,029
Cash flows from/(used in) investing activities				
Interest received		929,379	689,802	1,575,930
Purchases of property, plant and equipment		(9,609)	(48,561)	(68,910)
Investment in other assets		-	-	(44,812)
Net cash generated from/(used in) investing activities		919,770	641,241	1,462,208
Cash flows from financing activities				
Proceeds from issue of ordinary shares		223	65	231
Lease repayments		(14,989)	(231,123)	(600,280)
Dividends paid		(3,949,109)	(3,418,910)	(9,179,991)
Net cash (used in) financing activities		(3,963,875)	(3,649,968)	(9,780,040)
Net (decrease)/increase in cash and cash equivalents		(55,970)	2,196,042	(784,803)
Cash at 1 February		8,367,072	9,151,875	9,151,875
Cash at 31 July		8,311,102	11,347,917	8,367,072

NOTES TO THE INTERIM REPORT

1. GENERAL INFORMATION

The Company was incorporated as Keystone Law Group Limited on 13 May 2014 under the Companies Act 2006 (registration no. 09039092) and subsequently used as the vehicle to acquire Keystone Law Limited (the main trading company in the Group) and its subsidiaries on 17 October 2014. The Company was re-registered as a Public Limited Company on 10 November 2017. The Company was incorporated and is domiciled in England and Wales. The principal activity of the Group is the provision of legal services. The address of its registered office is:

48 Chancery Lane
London
WC2A 1JF

The Interim Report is presented in Pounds Sterling, being the functional currency of the companies within the Group.

ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Interim Report has been prepared in accordance with the recognition and measurement principles of UK-adopted International Accounting Standards.

BASIS OF PREPARATION

The Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 January 2024 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies House 2006. The Interim Report information has been prepared in accordance with the recognition and measurement principles of UK adopted International Accounting Standards, and on the same basis, and using the same accounting policies, as used in the financial statements for the year ended 31 January 2024.

The Interim Report has not been audited or reviewed, in accordance with the International Standard on Review Engagement 2410 (UK) issued by the Financial Reporting Council ("FRC").

PRIOR YEAR RESTATEMENT

As reflected in the Group's Annual Report and Accounts for the year ended 31 January 2024, in January 2024, the FRC submitted a request for further information on the Group's Annual Report and Accounts for the year ended 31 January 2023. The review conducted by the FRC was based solely on the Group's published Annual Report and Accounts and does not provide assurance that the Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Following completion of this review, the Directors concluded that although the "pay when paid" payment terms of the lawyers' fees means that any impairment in trade receivables automatically generates a directly related adjustment to trade payables (being approximately 75% of the net value impaired); for statutory reporting purposes, these items should be considered and disclosed separately. Accordingly, in order to reflect these transactions in full compliance with para 5.5.8 of IFRS 9 and IAS 1.82(BA), the consolidated statement of comprehensive income for the year ended 31 January 2023 was restated to reflect the impairment charge separately and not as a reduction in revenue, with the corresponding adjustment to lawyer fee notes equally shown separately and not as a reduction to cost of sales; this, in turn, has led to the restatement of the corresponding values in this Interim Report for the six months ended 31 July 2023.

GOING CONCERN

The Interim Report has been prepared on a going concern basis as the Directors have reasonable expectation that

The interim report has been prepared on a going concern basis as the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has no debt, is strongly cash generative and has a strong trading performance. The Group's forecasts and projections show that the Group has sufficient resources for both current and anticipated cash requirements.

ACCOUNTING DEVELOPMENTS

There have been no new standards or interpretations relevant to the Group's operations applied in the Interim Report for the first time.

ADJUSTED PBT

Adjusted PBT is utilised as a key performance indication for the Group and is calculated as follows:

	6 months to July 2024 (Unaudited) £'000	6 months to July 2023 (Unaudited) £'000
Profit before tax	5,544	5,266
Amortisation	175	175
Share-based payments	379	250
Adjusted PBT	6,098	5,691

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares in the period was 31,515,028 (H1 2024: 31,373,312) and the basic earnings per share was 12.9p (H1 2024: 12.2p). Diluted earnings per share is calculated by dividing the same profit by the weighted average number of ordinary shares, taking into account the dilution effect from grants made under the Long Term Incentive Plan (32,041,554; H1 2024: 31,880,828). Diluted earnings per share was 12.6p (H1 2024: 12.0p).

The adjusted earnings per share was 14.6p (H1 2024: 13.6p), whilst the diluted adjusted earnings per share was 14.4p (H1 2024: 13.4p). Adjusted earnings are stated by making the same adjustments to earnings as those made in calculating adjusted PBT.

2. EXPENSES BY NATURE

	6 months to July 2024 (Unaudited) £	6 months to July 2023 (Unaudited) £
Expenses are comprised of:		
Depreciation - right-of-use assets	221,746	205,430
Depreciation - other	50,098	68,042
Amortisation	175,442	175,442
Staff costs	3,291,181	2,865,957
Share-based payments	378,934	250,073
Other administrative expenses	3,531,933	3,281,296
	7,649,334	6,846,240

Included within staff costs above are the costs of employed fee earners who are included within cost of sale (H1 2025: £628,270; H1 2024: £555,335).

3. TRADE AND OTHER RECEIVABLES

	31 July 2024 (Unaudited) £	31 July 2023 (Unaudited) £	31 January 2024 (Audited) £
Trade receivables	17,250,579	14,721,714	15,308,230
Provision for impairment of trade receivables	(4,649,750)	(4,589,670)	(4,812,995)
Net trade receivables	12,600,828	10,132,045	10,495,235
Accrued income	11,760,727	10,706,147	11,571,696
Prepayments	1,504,815	1,733,806	1,843,276
Unbilled disbursements	1,021,297	945,286	793,825
Reimbursement asset	280,000	-	280,000
Other receivables	383,015	155,621	210,317
Total current trade and other receivables	27,270,682	23,672,904	25,194,349
Net trade receivables average age (days) (unaudited)	33	32	34

4. DIVIDENDS

The Directors have declared an interim ordinary dividend of 6.2p per share (H1 2024: ordinary dividend of 5.8p per share; special dividend of 12.5p per share). The dividend will be paid on 11 October 2024 to shareholders on the register on 20 September 2024, with the shares going ex-dividend on 19 September 2024. In accordance with IAS10 "events after the balance sheet date", these dividends have not been reflected in the Interim Report.

Keystone Law

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