

Initiation – quality growth at a depressed valuation

1 Year Chart



Gateley is a leading UK professional services Group, combining a top 40 legal practice (71% of revenue) with diversified consultancy services (29% of revenue). The Group has proven resilience with a long track record of organic revenue growth, delivered through various economic cycles. Following several years of deliberate investment—alongside industry-wide wage inflation—the Group’s underlying operating margin has stabilised, with multiple operational improvement initiatives implemented and contributing.

At the same time, Gateley’s shares currently trade below the IPO price, on a low single-digit earnings multiple and a double-digit dividend yield, which we believe does not reflect the Group’s resilience, cash generation or medium-term margin recovery potential.

Gateley continues to invest in organic growth opportunities; however, the key investment and operational initiatives designed to address recent margin pressure — including increased pricing discipline, targeted systems investment (including the adoption of the Jylo AI platform to support service quality, delivery and efficiency), and improved WIP management — have now been implemented and are beginning to contribute to returns.

Gateley Holdings PLC is a research client of H2 Radnor Ltd.

MiFID II – this research is deemed to be a minor, non-monetary benefit.

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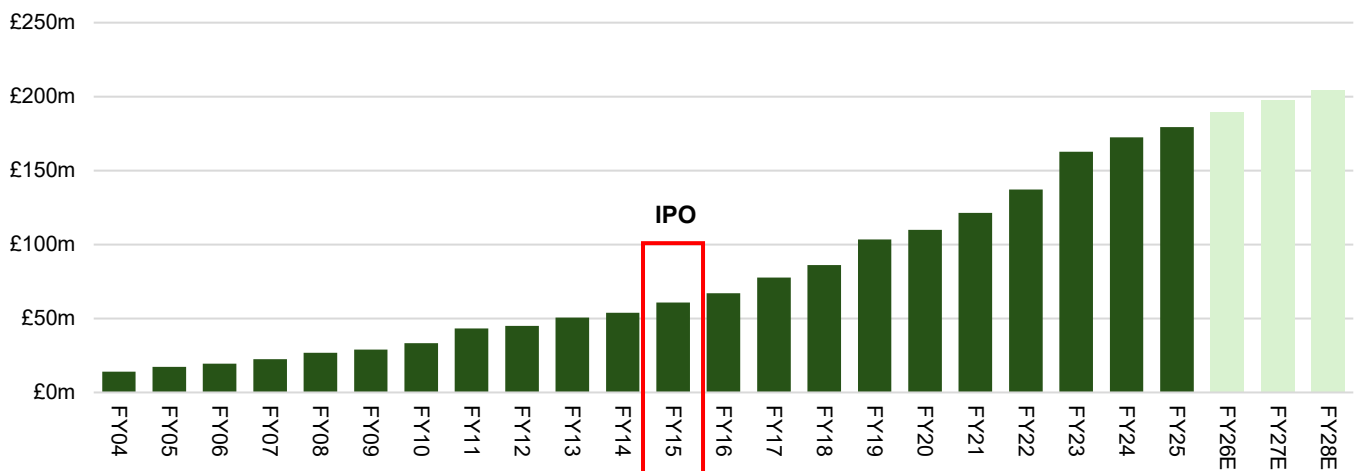
- **Acquisition potential;** Gateley is acquisitive, having built a £52m revenue Consultancy business entirely through acquisitions. In September, the Group acquired GWW, a leading trade mark attorney business. There remains opportunity for Gateley to make further acquisitions, in a fragmented professional services sector where many smaller firms are under pressure.
- **Next event;** Gateley usually issues a FY update (April year-end) in the second half of May. At the time of the Group’s H126 results, in December, it said that it is “confident of meeting full year expectations”.
- **Valuation;** Gateley’s share price, at 66p, is now below its IPO price of 95p, and considerably down on the 248p peak of 2021 and we argue that this represents a very attractive entry point; with the share price offering a FY26 PER of 5.0x and a dividend yield of 14.4%. Our illustrative fair value, based on a DCF valuation is 190p per share, offering considerable upside.

Y/E April, £m	Revenue	Adj PBT	Adj EPS (p)	Div (p)	Net Debt	PE	Yield
2024 A	172.5	23.0	14.2	9.5	Net cash	4.6	14.4
2025 A	179.5	23.3	13.3	9.5	6.6	5.0	14.4
2026 E	189.6	23.7	13.3	9.5	19.1	5.0	14.4
2027 E	197.4	25.0	13.8	9.7	17.5	4.8	14.6
2028 E	204.7	26.9	14.6	10.2	17.1	4.5	15.5

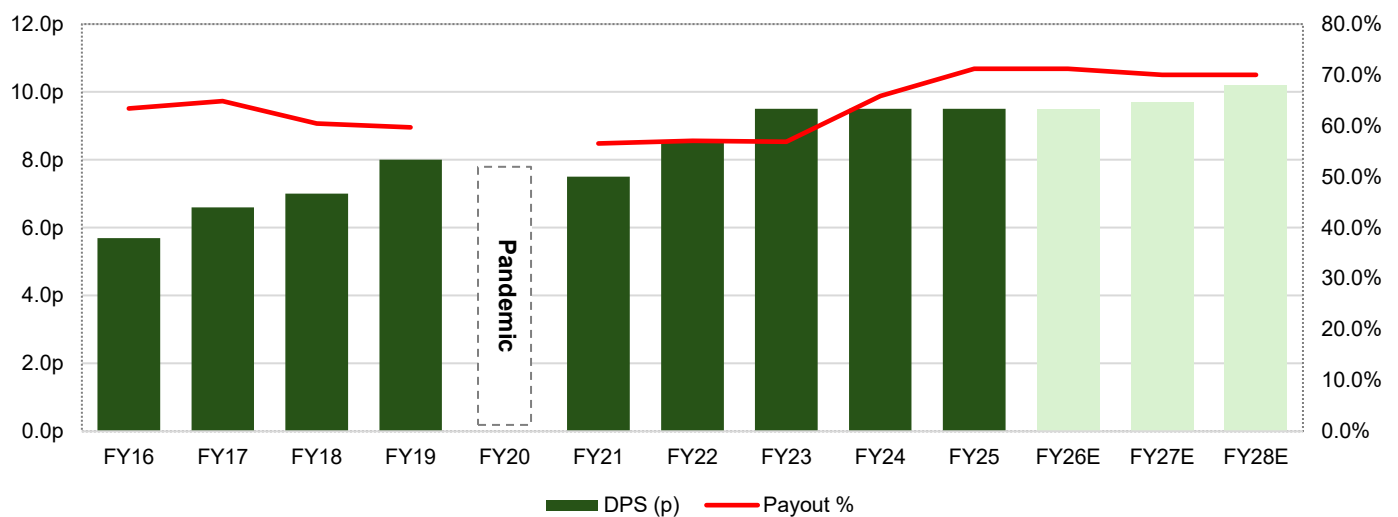
Source: h2Radnor

Gateley in four key charts

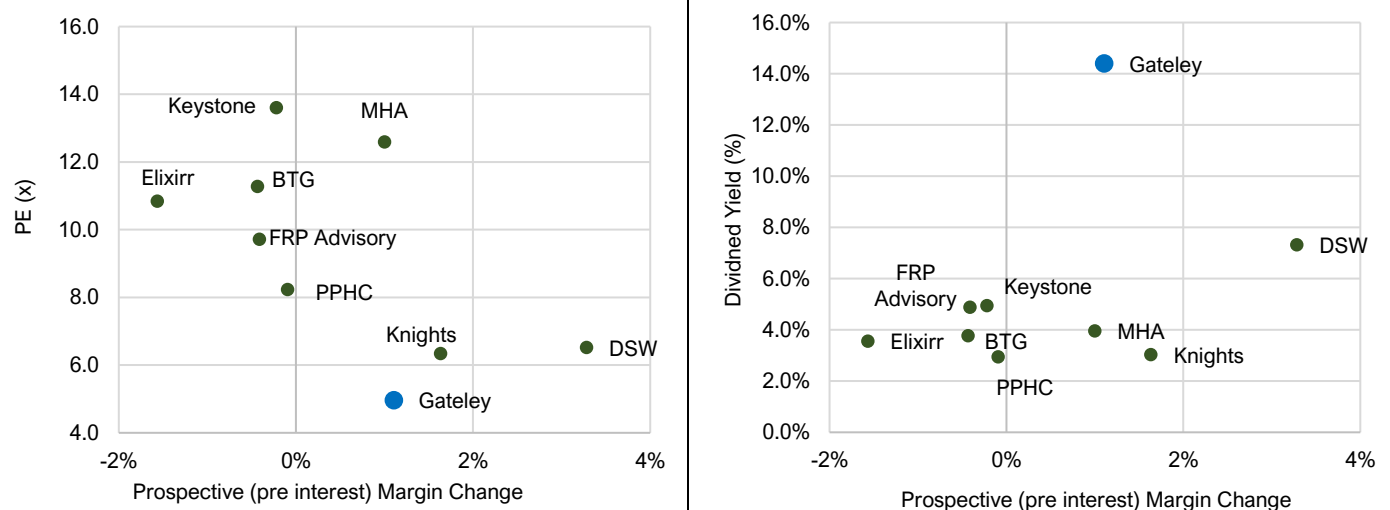
Consistent revenue growth track record



Consistent dividend track record



Margin improvement is not in the price



Source: Company, FactSet, h2Radnor

Investment case

Track record of growth

Gateley has grown revenues each year since 2004, generating a 12.9% CAGR, which we think is particularly impressive as this period included both the GFC and Covid. The Group has reported organic revenue of 9.0% CAGR (FY15-25), with growth every year. Our estimates assume only a 3.6% average organic revenue growth in the next three years, which may be erring on the cautious side, given the track record and range of current organic revenue growth initiatives. We note that the Group generated 8.6% organic revenue growth in H126, the highest level since FY22. Acquisitions have boosted revenue too and we do not forecast these but they are likely to occur.

Organic growth and resilience has been augmented by;

- **Defensiveness;** the Group's resilience is underpinned by established and scaled activity across structurally counter-cyclical areas such as dispute resolution, restructuring and insolvency, and related advisory work around contractual renegotiation, debt and equity restructuring, workforce change and asset disposals.
- **Market share;** Gateley's growth has outpaced that of the UK legal sector and it is taking market share from traditional law firm partnerships, whose models are increasingly under pressure e.g. young lawyers do not want to or cannot afford to buy into a partnership. Gateley's UK legal rank has risen from 45th at IPO to 37th,
- **Scale;** the legal sector is consolidating and larger companies continue to gain share. Larger clients increasingly award work through panels and more stringent risk and governance assessment processes, which favour firms, such as Gateley, with sufficient scale, resilience and operational robustness. In parallel, rising client expectations around systems, data security and innovation mean that larger law firms are better placed to absorb the cost of necessary ongoing investments, including in compliance, technology and AI,
- **Diversification** into Consultancy has made the Group more resilient economically, has opened up new revenues streams and acted as differentiator to traditional law firms,
- **Cross-selling,** between the four Platforms and between Legal services and Consultancy is allowing Gateley to capture a greater share of a client's wallet,
- **Being listed** has raised the Group's profile, is a differentiator in a legal sector dominated by private partnerships and has provided equity to attract employees and finance acquisitions.

Diversification

A stated aim of Gateley's IPO was to create resilience by diversifying its revenue streams including by moving into Consultancy, which now comprises 29% of revenues. Consultancy, since creation, has delivered higher organic revenue growth than Legal services and we see it as attractive as it helps establish leads into potential new clients

for legal work, provides cross-selling opportunities and comprises scalable businesses which are supported by the Group's national infrastructure and brand.

Organic revenue growth initiatives

In recent years, Gateley has made a number of long-dated investment which are now beginning to generate returns, as perhaps shown by the acceleration of 8.6% organic revenue growth in H126, and which we feel have exciting potential;

- **Class actions;** the Group launched its first, ongoing, class actions case in February 2024 and it is investigating others. Class actions represent a large and structurally growing segment of the global litigation market, with the value of UK class action claims estimated at between £130bn to £160bn. Whilst the necessary specialist professional, systems and technology cost investments required to launch and operate a class action business represent a significant barrier to entry (all of which costs have already been expensed by Gateley) class action business has historically been highly profitable for participants with the requisite scale and expertise. Whilst we believe that class action cases have the potential to generate significant returns we do not forecast any returns from class actions so this could be material upside for Gateley.
- **Complex International Dispute Resolution;** capability in this area was significantly enhanced in FY23, positioning the Group to support higher-value, multi-jurisdictional matters. This translated into revenue growth of c.50% in FY25, with good momentum into FY26.
- **Dubai;** although the Group is a UK-based law firm, it is increasingly pursuing international opportunities. In the last year, the Group invested further in its services to target markets in the Middle East from its Dubai base, where it recruited a team of highly regarded corporate lawyers, the leader of which now heads Gateley's activities in the region. While the regional geopolitical situation has become more uncertain following recent events, we note that the team has been enhanced by the appointment of a senior lawyer to head dispute resolution services in the Middle East and that disputes are likely to spike post the current conflict in the region.

Acquisition potential

We see opportunity for further legal and consulting acquisitions. Consolidation across professional services continues, driven by succession pressures, rising regulatory and technology costs and client demand for scale and breadth. Consulting acquisitions can further diversify the Group's revenues and capabilities. Gateley has a strong track record of execution and integration, having completed 16 acquisitions since IPO. The Group retains financial flexibility to support further transactions, supported by a modest net debt position relative to market capitalisation and largely undrawn revolving credit facility. In September, Gateley completed its most recent acquisition of GWW.

Margin upside

Gateley is targeting a near-term increase in the underlying operating profit margin from 11.7% in FY25 to no less than 13.5% by the end of FY28, and we think there could be further upside given that it was 18.2% in FY17. Five particular areas of upside are;

- **Pricing;** recent benchmarking against competitors has suggested that the Group has scope to raise prices. We note that price rises drop straight through

to profit. Training on pricing has been rolled out for all the senior leaders in Gateley's Legal services businesses by the sector's leading pricing and revenue management consultancy. Plus, the Group has invested in the market-leading pricing and revenue management software. Price increases were a key factor in the acceleration in organic revenue growth to 8.6% in H126, with management suggesting that the first full 6-month impact will be in H226,

- **WIP management and conversion into fees;** is a current focus and there is scope to increase WIP to fees conversion rate above the current 81%. Each 1% improvement in conversion generates circa £2.0m of additional fees,
- **Enhanced cross-selling;** there is significant opportunity to cross-sell, especially between the four Platforms – Business Services, Property, People and Corporate and between Gateley's Legal services and Consultancy businesses. Historically, these Platforms have operated with strong individual practices but without a formal cross-disciplinary management structure. This has now changed with the introduction of Platform Boards, on which each business unit is represented, reporting to a chair responsible for the Platform's strategic, operational and financial performance. The new structure is intended to support more systematic collaboration.
- **Recent and future investment returns;** having been a headwind for the margin during roll-out, deliberate investments should now turn into a positive as they generate returns,
- **AI and productivity;** the Group's announcement in March that it would adopt the Jylo AI platform points to a pragmatic use of AI to support efficiency and consistency in delivery (particularly across documentation-heavy and process-driven legal work) within defined governance and control parameters. We view AI primarily as a productivity and leverage tool which, over time, should support improved operating leverage across the Group's cost base.

Attractive share price valuation

At 66p, the Group's share price offers a FY26 PER of 5.0x and a dividend yield of 14.4%. On a PER, using consensus estimates, Gateley is 50% cheaper than our Professional Services peer group. We believe that the Group's track record of defensiveness and strong cash generation most lends itself to a DCF valuation and we use this to generate our illustrative fair value of 190p per share, offering considerable upside to the current share price.

Risks

Wage inflation

Personnel costs as the Group's main cost, at 62% of revenue, and in the post-Covid period the UK legal sector saw unprecedented wage inflation, compounded by the expansion of US-based law firms into the UK market, which was the main reason why the Group's underlying operating margin declined from 18.2% in FY17 to 11.7% in FY25. On the positive side, wage inflation appears to have eased over the last 18 months. We note that management are targeting a near-term increase in the margin to not less than 13.5%, which assumes a more benign wage inflation environment alongside continued progress on matters such as pricing, utilisation and WIP conversion.

Reputation

Particularly as a law firm, and more widely as a professional services provider, Gateley is dependent on maintaining a strong reputation. This could be impacted if it is involved in litigation or claims relating to its performance or through its involvement (as an adviser or as a litigant) in high-profile or unpopular legal proceedings. Positively, we are not aware of any events which have damaged Gateley's reputation either before or since its listing over ten years ago.

Professional liability and uninsured risks

The Group provides professional services, predominantly legal advice. Like all providers of professional services, it is susceptible to potential liability from negligence, breach of client contract and other claims by clients. The professional indemnity insurance held by the Group may not be adequate to indemnify it for all liabilities that may be incurred (or loss which may be suffered). Any liability or legal defence expenses that are not covered by insurance or are in excess of the insurance coverage could have a materially adverse effect on the Group's business and financial condition. Fortunately, we have not heard of examples of material claims against Gateley and it maintains professional indemnity insurance in place with recognised providers and in scope and coverage terms in line with market norms.

Regulatory Compliance

The Group's legal businesses are regulated by the Solicitors Regulation Authority (SRA) which imposes regulation, such as restrictions on holdings of 10% or more under the Legal Services Act (LSA) 2007. This Act dictates that the acquisition by a non-authorised person of a restricted interest (a shareholding of 10% or more) in Gateley Plc, (which is an SRA Licenced Body) without the prior consent of the SRA would be treated as a criminal offence. The SRA also has the power to force the divestment of any shareholding that breaches the rule or revoke the Licenced Body status of Gateley Plc which would have a serious effect on the Group.

Gateley has operated successfully within this regulatory framework since its IPO, during which it has engaged constructively with the SRA in relation to regulatory approvals associated with shareholders crossing relevant investment thresholds, without disruption to operations. While the SRA retains enforcement powers, this regulatory regime is well-established and understood by management and investors and has not impeded the Group's growth strategy to date.

Cyber and data risk

Due to the sensitive nature of the Group's business and its reliance on IT platforms, the Group is at risk of cyber-attack. In June 2021, the Group experienced a cyber-attack, albeit it was identified quickly, and significant disruption was avoided. Since the cyber-attack, management has confirmed that the Group has further strengthened its cyber-security controls and monitoring, increased investment in technical safeguards, and fully integrated cyber risk into how risks are identified and managed across the Group.

Overview

History

Gateley was founded in 1808 when the commercial law firm of Stephen Gateley & Sons was established in Birmingham, where it remains headquartered. In January 2014, the Group took advantage of the liberalisation of the UK's legal market to switch from a Limited Liability Partnership (LLP) to an Alternative Business Structure (ABS), which allows non-lawyers to own and invest in law firms.

The Group became the first UK law firm to IPO, in June 2015, when it listed on AIM at 95p per share giving it an initial market cap of £100m (Figure 1). The IPO comprised a Primary (5% of total) which raised gross proceeds of £5.0m, and net proceeds of £3.8m, and a Secondary of £25m (25% of total). The Primary proceeds were used initially to support the transition from the existing LLP structure and for general working capital purposes.

Figure 1: Gateley's IPO structure

Shares	Number (m)	Value (£m)	Proportion (%)
Primary	5	5	5
Secondary	26	25	25
Existing	74	70	70
Total	105	100	100

Source: Company, h2Radnor

Pre-IPO, Gateley had 81 Partners, all of whom owned equity. Seven of the pre-IPO Partners held a stake of more than 3% each, collectively comprising 20% of the post-IPO equity (Figure 2). The pre-IPO Partners collectively owned 70% of the post-IPO equity and agreed to a five-year lock-in arrangement.

Figure 2: Gateley's main pre-IPO holders

Shareholder	Role at IPO	Shares (pre-IPO)	%	Shares (post IPO)	%	Shares sold
Michael Ward	CEO	4,294,918	4.29	3,289,004	3.12	1,005,914
Peter Davies	COO	4,294,918	4.29	3,289,004	3.12	1,005,914
Brendan McGeever	Strategic Board	4,294,918	4.29	3,289,004	3.12	1,005,914
Paul Hayward	Strategic Board	4,294,918	4.29	3,289,004	3.12	1,005,914
Callum Nuttall	Strategic Board	3,865,426	3.87	2,899,070	2.75	966,356
Mark Wilson	Partner	3,435,934	3.44	2,531,741	2.40	904,193
Andrew Madden	Partner	3,435,934	3.44	2,531,741	2.40	904,193
Total		27,916,966	27.91	21,118,568	20.03	6,798,398

Source: Company, h2Radnor

Strategy

Gateley's strategy, which was laid out at IPO and which it has applied consistently since then, has four areas of focus, which we set out below;

1. **Enhanced opportunities to grow Gateley organically** – including lateral hires of individuals and/or teams,
2. **Making selective acquisitions**, including (i) other legal firms which offer geographical expansion or additional specialist services and (ii) professional consultancy service businesses offering complementary services,
3. **Building out the Group's Platforms** which comprise clusters of complementary group services presenting a broader and more compelling offering,
4. **Alignment through share participation**, of the interests of shareholders (including employee shareholders) with those of the business, aiding retention of staff and enhancing Gateley's recruitment appeal.

Delivering organic growth

- Retention of existing employees, working together to deliver 100% client satisfaction by looking after our clients' businesses as if they were our own,
- Attracting new talent wishing to be a part of a pioneering law led professional services group,
- Providing enhanced cross-selling opportunities through collaborative working via group wide Platforms,
- Continuing to strengthen of our national network, offering a quality, value-for-money legal service to mid-market clients at home, in the markets in which they trade,

Acquire

Gateley believes that it can strengthen its business by broadening its service offering through the acquisition of complementary legal and consultancy service businesses. A broader set of services creates additional channels to market, increases cross-sales potential, facilitates a more flexible sales model and enhances client retention. To owners of target complementary professional services businesses Gateley offers a platform for their continued growth, drawing upon its established national office network and back-office infrastructure and access, via Gateley's existing "sales force" of partners and other lawyers, to Gateley's existing client-base. Gateley will expand by:

- being well positioned, as a result of its more flexible corporate structure, to take advantage of anticipated consolidation within the UK legal industry,
- acquiring legal teams or firms offering new niche services, sector specialism, or an opportunity to enter new geographic markets deemed strategic,
- acquiring complementary professional services businesses (facilitated by the Group's alternative business structure).

Incentivisation

For its senior employees, Gateley operates a Restricted Share Award (RSA) scheme, aligning senior employee incentives with shareholder outcomes over the longer term and enabling senior employees to participate directly in the long-term financial performance of the business. Awards fully vest at the end of a five-year period, although senior employees take the economic benefit from the outset. More recently, awards have been satisfied in part from internally recirculated shareholdings, reducing the dilutive impact for shareholders.

ESG

Gateley prioritises ESG more than many companies we have covered and we believe that this is a competitive advantage, especially in attracting new employees who want to work for a company with this priority and winning business from clients who share its vision.

The Group has set out why ESG matters with its Responsible Business Strategy;

1. A component of our Purpose
2. Business community = engine for change
3. Alignment with clients' related expectations and objectives
4. Culture, recruitment and employee satisfaction

Each year, the Group publishes a Responsible Business Report (RBR), setting out its achievements and the latest one focused on four areas (Figure 3).

Figure 3: Gateley's RBR progress and ambitions for 2025/6

Progress and ambition

Partnered with a number of clients on community development projects

Submitted our first social mobility and employer index entry to assess our current practices and identify areas for improvement

Saw a 151% increase in volunteering hours undertaken by our people as recorded on our own Social Impact Dashboard

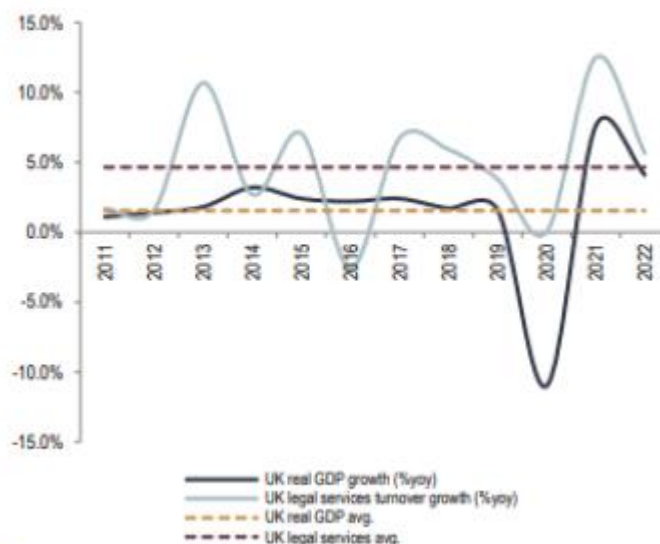
Appointed a number of sustainability champions and partnered with a new carbon accounting and net zero partner, Flotilla to work on our carbon reduction plan and support our net zero targets

Source: Company, h2Radnor

UK Legal Services Market

The historic core of Gateley’s activities is its position as one of the UK’s leading law firms. The UK legal sector has seen c.5% growth pa since 2010, outpacing UK real GDP growth of around 2% pa, with less volatility too (Figure 4).

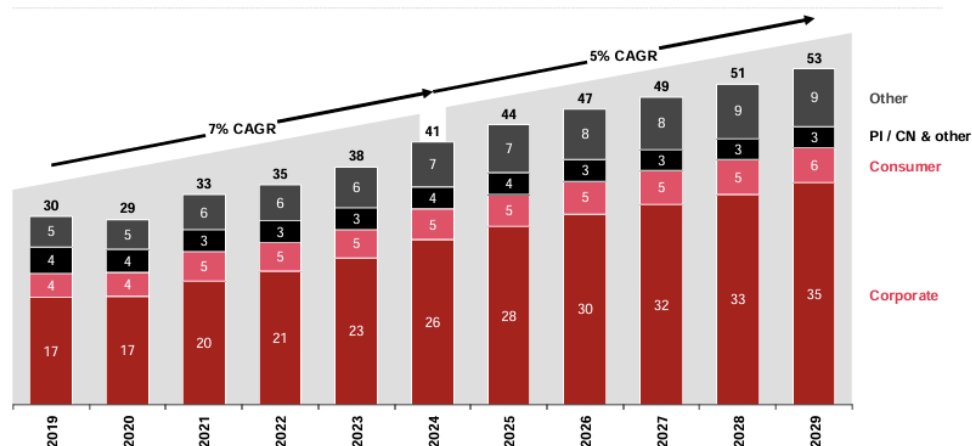
Figure 4: UK legal sector growth



Source: Company (slide 31 of the FY25 presentation), h2Radnor

PwC in its 2025 annual ‘UK Law Firm Survey’, valued the market at c.£40bn and expects 5% CAGR (2024 to 2029) (Figure 5). The Survey added that the financial performance across the UK’s largest 100 firms was overwhelmingly positive in 2024 with 97% increasing revenues (up from 95% in 2023) with 55% achieving double digit growth (up from 35% in 2023).

Figure 5: UK legal services market



Source: PwC’s 2025 UK Law Firm Survey

Given that the UK legal market is valued at around £40bn Gateley therefore has around a 0.5% market share suggesting considerable scope to expand. The Group rose from being the 45th largest UK law firm in 2015 to 37th currently. The UK legal sector is still highly fragmented with around 9,500 firms, and the top 100 firms have less than 50%

market share, being much more fragmented than the accountancy sector where four large firms predominate.

A further market-share opportunity for Gateley reflects the structure of the UK legal sector, where the vast majority of the c.9,500 UK law firms remain organised as traditional partnerships. These models are under increasing strain from succession challenges, rising investment requirements in compliance and technology, a reluctance of partners to reinvest capital, and evolving career preferences among younger lawyers, for whom the traditional partnership model is increasingly less compelling. Gateley's corporate model and balance-sheet flexibility provide a structural advantage in recruiting new partners and executing selective acquisitions.

Prompted in part by the liberalisation of the UK legal market which began in 2007 (when deregulation permitted, for the first time, non-lawyers to own and invest in law firms) and predictable demand, high levels of recurring revenue, strong cash conversion and fragmentation across most service lines, the professional services sector has become appealing to long-term capital, including to private equity. Over the last two to three years, private equity has become increasingly active as an investor in the UK legal sector with some companies, like Inflexion and Blixt acting as consolidators (Figure 6).

Figure 6: Some examples of private equity acquisitions of UK law firms

Private Equity backer	Legal Firm	Date	Investment
Blixt Group	Slater Heelis	May-25	n/a
CBPE	HF	Dec-24	n/a
Horizon Capital	FBC Manby Bowdler	Oct-24	30
Inflexion	DWF	Jul-23	342
Blixt Group	Nelsons	May-23	n/a
Sun Capital	Fletchers	Oct-21	37
Inflexion	ONP Group	Jul-19	n/a

Source: Company, h2Radnor

For the same reasons, the capital markets have emerged as an attractive environment for law firms seeking long-term capital and structural flexibility, leading a number of firms, including the Group, to incorporate and list (Figure 7).

Figure 7: UK legal IPOs

Firm	IPO date	Market	Market cap at IPO
Gateley	Jun-15	AIM	100
Ince	Aug-17	AIM	40
Keystone	Nov-17	AIM	50
RBG Holdings	May-18	AIM	76
Knights	Jun-18	AIM	104
DWF	Mar-19	Main	366
MJ Hudson	Dec-19	AIM	98

Source: h2Radnor

Of the original seven UK law firms to list, three remain quoted today: Gateley, Keystone and Knights (Figure 8). Where firms have subsequently de-listed or entered administration, this has typically reflected firm-specific structural, governance or financial issues. Ince (November 2023), RBG (February 2025) and MJ Hudson (October 2023) arguably each faced firm-specific issues that ultimately undermined investor confidence, rather than issues inherent to the listed law-firm model itself. We view it as

notable that Gateley has not been affected by comparable structural weaknesses and, in our view, its differentiated operating model and disciplined approach to capital allocation and growth have been central to its resilience as a quoted business. DWF's acquisition by Inflexion in July 2023 further illustrates that well-positioned legal services platforms remain attractive assets, whether in public or private ownership.

Figure 8: UK law firm post IPO share price performance

Metric	Gateley	Keystone	Knights
Listing price (p)	95	160	145
Closing price (p)	66	475	169
Change (%)	(31)	197	16

Source: h2Radnor

We believe in coming years more law firms will list, partly due to the pressures on the model of traditional partnerships and also because some private equity owners of law firms may look to sell.

More widely, we thought that the IPO of MHA in April 2025 was encouraging for future professional services listings. MHA is the UK's 6th largest accountancy firm and coincidentally is Gateley's auditor. MHA's IPO may encourage other accountancy firms to list.

Internationally, in all but a very small number of other jurisdictions, ownership rules resemble those in the UK before the LSA and do not allow for non-lawyer ownership of law firms.

The UK legal sector is experiencing a period of structural change affecting firms across the market, from the largest 'Magic Circle' practices through to the mid-market. While scale, brand and pricing power offer some mitigation at the upper end of the market, firms across all segments are navigating the same underlying dynamics around costs, investment requirements and evolving client and talent expectations. The impact of these changes has tended to be more pronounced among mid-market firms (broadly the top 16 to 200), creating conditions which benefit more scalable and well-capitalised platforms such as Gateley when competing for clients, talent and acquisition opportunities. A summary of those changes is:

1) Pressure on fees

The UK legal sector is seeing changes in how legal services are procured and delivered, rather than a uniform compression of pricing. Client behaviour has increasingly favoured panel arrangements, greater use of scope-defined and fixed-fee mandates, and enhanced scrutiny of value and delivery efficiency, particularly for repeatable or process-led work. In response, firms are delivering legal work in more flexible ways — separating complex advisory work from routine processes and increasingly using an appropriate mix of people and technology for each.

2) Partnership structures can be inefficient

A Partnership model can be an unwieldy, collective structure, compared with a CEO-led one, with partners having different opinions about how the business should be run. Partners may be reluctant to share clients and overly focus on their own profit share rather than to cross-sell or focus on firm-wide initiatives. The best

lawyers may not be the best managers. Separating fee earning from management can lead to better-run firms.

3) Buying into a Partnership is expensive

Traditional firms, by not accepting external investment, rely on incentivising junior lawyers to take a stake in the existing partnership structure. Without this, senior partners are unable to withdraw their capital contribution upon retirement, leading to a stagnation in succession. The problem is, buying into mid-market Partnership is expensive, with an average capital account per Partner in excess of £230k, which is a considerable outlay for a junior lawyer, especially as they have also faced rising house prices in recent years.

A partnership may also not appeal to junior lawyers given the pressures on the mid-market, with a number of high-profile failures such as Plexus and SSB, meaning that it is no longer as financially attractive as it once was. Pressure on some firms has led to demands for partners to invest more equity into a firm. Culturally, younger lawyers may also not want to be tied to a partnership model or even a particular business, preferring a more flexible salaried position.

4) Underinvestment

Traditional partnership models can constrain investment. Profits are typically distributed and taxed in the year they are earned, rather than retained within the business, limiting the ability to build balance-sheet capital. As LLPs do not generally accumulate retained earnings, they also have more limited access to external financing compared with corporatised businesses. Most importantly, meaningful investment often requires partners to forego profits already earned, which is often even less appealing when investment returns might only be realised in later years and after changes in the partnership group. Lockstep remuneration structures, which link profit share primarily to tenure, rather than capital commitment or performance, can further reinforce these dynamics.

The need for law firms generally to innovate and invest in updating technology, compliance, CRM and recruitment systems, and meeting the ever-increasing costs regulation, is unavoidable for all forward-looking law firms. We think technology investment is likely to remain an ongoing cost as firms invest not only in AI-enabled tools but also in the data, systems and governance structures required to integrate them into core service delivery.

Consultancy

A stated aim of Gateley's at IPO was to add resilience by diversifying its revenue streams and we have been particularly impressed by how it built a £52m revenue Consultancy business from nothing in the last nine years (Figure 9).

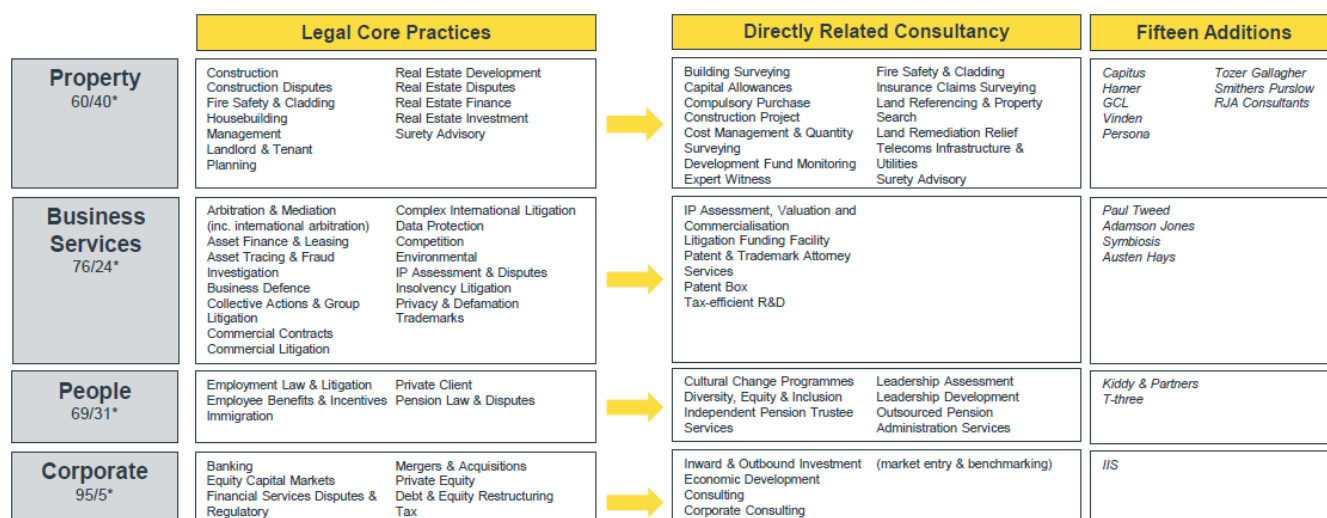
Figure 9: Gateley's Consultancy revenues as a proportion of total (%)

Proportion	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	H125	FY25	H126
Consultancy Services	0	3	4	7	10	12	17	26	29	30	29	29
Legal Services	100	97	96	93	90	88	83	74	71	70	71	71
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Company,, h2Radnor

Gateley's Consultancy business has been built on its legal foundations with most of its services adjacent to a legal one, for example building surveying complementing housebuilding legal services. All bar one of Gateley's Platforms include both Legal services and Consultancy reporting lines (Figure 10). For internal management purposes (see above commentary around Platform Boards and realigned management structures) all consultancy lines previously on the Corporate Platform were recently relocated onto the People Platform.

Figure 10: Gateley's business lines (FY25)



*Legal/Consulting proportion. Does not include the GWW acquisition Source: Company (slide 21 of the FY25 presentation), h2Radnor

Property has the highest proportion of revenues from Consultancy, at 38%, and this partly reflects the fact that it has made the most acquisitions since IPO and all the Consultancy businesses were acquired (Figure 11).

Figure 11: Gateley's Platform revenue Consultancy proportion (%)

April year end	FY22	FY23	FY24	H125	FY25	H126
Property	21	35	40	43	38	38
Corporate	2	3	1	5	5	-
Business Services	7	23	26	23	24	26
People	33	33	28	29	31	27
Total	17	26	29	30	29	29

Source: Company, h2Radnor

Corporate no longer has a Consultancy business and it is likely that it will always be Legal services dominated, with its transactional teams drawing support, particular to each transaction, from legal and consultancy businesses on other Platforms.

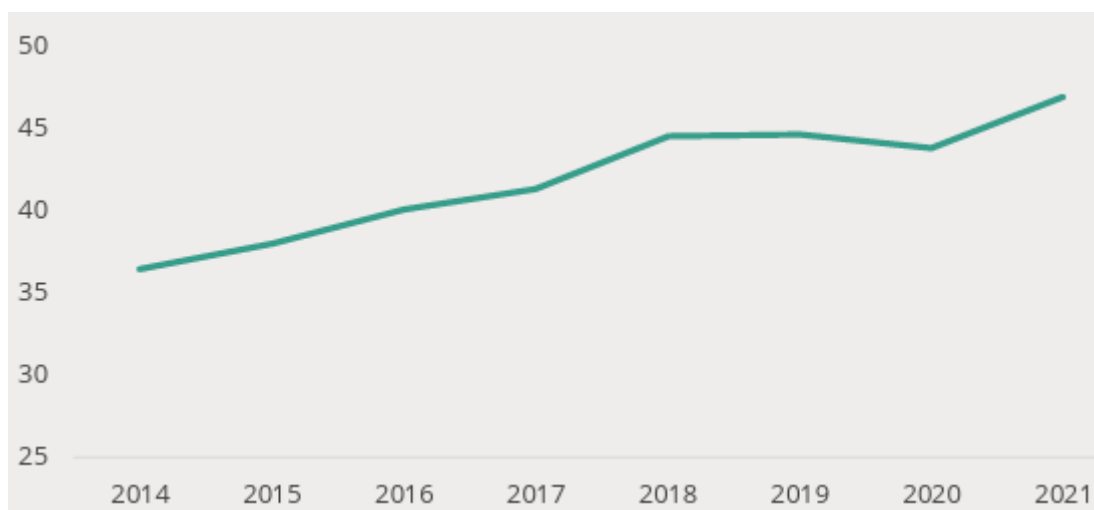
For us Consultancy is attractive as it;

1. helps establish leads into potential new clients for legal work, facilitates cross-selling and allows Gateley to win a greater share of a customer's spend,
2. further differentiates the Group compared with other law firms, who lack consulting businesses, which is one of the reasons why it has gained market share,
3. diversifies Gateley's revenues, making it ever less vulnerable to economic downturns,
4. adds greater scale to businesses which is supported by the Group's national infrastructure and brand.
5. all Consultancy revenues were acquired and we feel that adding and expanding the Group's service offering in this way has exponentially increased each acquired business's reach, compared to if they had remained smaller, local operators. Plus, the Group can introduce best practice to acquired businesses, for example improving the margin and reducing working capital.

Case study – building a consultancy business

In 2021, management identified trade mark attorney and patent services as an attractive area for Gateley to enter. At that point the Business Services Platform only had legal businesses with no consultancy businesses.

Management identified servicing client needs as they related to 'intangibles assets' as an attractive area, by patents, trademarks, registered designs and other forms of unregistrable intellectual property assets or interests, including brands. Management saw the attractions of intellectual property (IP) in a market of essentially IP (e.g. pharmaceuticals) or IP underpinned (e.g. Apple). In the years up to 2021, the value of R&D performed by UK businesses had steadily risen in real terms (Figure 12).

Figure 12: R&D performed by businesses in the UK (£bn at 2021 prices)

Source: ONS

Patent and trade mark attorney businesses were seen as a logical addition to Gateley's existing legal business, as patents are widely considered to be the most lucrative form of IP legal work - they create a valuable and long-lasting legal monopoly in the use of certain technology, and the law is extremely technical so it requires niche expertise. Patents are expensive to acquire, so their owners are generally larger businesses and organisations who have sufficient funds to invest in protecting and enforcing their rights.

Gateley subsequently acquired three patent and trade mark attorney businesses;

- **Adamson Jones Limited** for £2.5m (January 2022 patent and trade mark business)
- **Symbiosis** for £2.5m (October 2022, patent business only)
- **GWW** for £5.7m (September 2025, trade mark business only)

Gateley's most recent acquisition was of Groom Wilkes & Wright (GWW) in September 2025. GWW is an IP firm and therefore complements Adamson Jones and Symbiosis IP, the Group's existing trade mark attorney and patent services businesses. Gateley will pay a maximum consideration of £9m for GWW, paid 75% in cash and 25% in Equity and we thought it interesting that it altered the consideration mix, increasing the proportion of cash, consistent with a cautious approach to valuation and the relative attractiveness of equity issuance at the time. Management said at the H126 results that GWW was "performing ahead of initial expectations".

Results

Gateley has reported organic revenue for Consultancy since FY22, and over that period growth has on average exceeded that of Legal services, albeit with periods where Legal services has grown more quickly (Figure 13). In H126, Consultancy delivered 3.2% organic revenue growth compared with 10.9% for Legal services. We view this variability not as a weakness, but as a feature of the Group's diversified model, which is designed to deliver consolidated resilience by recognising that different service lines will perform at different points in the cycle.

In terms of H126, Consultancy reported 3.2% organic revenue growth compared with 10.9% growth for Legal services, there was no one reason for this difference in growth, albeit at Consultancy;

- **People Platform;** T-three and Kiddy & Partners saw a revenue decline as weaker macro conditions caused a few clients to pause some HR initiatives,
- **Property Platform;** Hamer saw a decline due to the merger of two of its telecom clients,
- **Property Platform;** Vinden was impacted by some weakness in its construction markets.

Figure 13: Gateley's Legal services and Consultancy businesses (£m)

April year end	FY22	FY23	FY24	FY25
Legal services				
Revenue	115.9	120.9	122.6	127.5
Organic growth	8.0%	4.3%	1.4%	3.9%
Acquisition growth	0.0%	0.0%	0.0%	0.0%
Total growth	8.0%	4.3%	1.4%	3.9%
Headcount	1,077	1,078	1,091	1,100
Change		0.1%	1.2%	0.8%
Revenue/employee	108	112	112	116
Change		4.2%	0.2%	3.1%
Consultancy services				
Revenue	21.3	41.8	49.9	52.0
Organic growth	26.7%	15.2%	9.1%	0.0%
Acquisition growth	25.4%	81.0%	10.3%	4.3%
Total growth	52.1%	96.2%	19.4%	4.3%
Headcount	291	355	445	471
Change		22.0%	25.4%	5.8%
Revenue/employee	73	118	112	110
Change		60.9%	(4.8%)	(1.5%)

Source: Company, h2Radnor

Although Group disclosure does not provide legal / consulting segmental margin detail, management have indicated that Consultancy's margin, whilst variable, can be slightly lower than Legal services and we note that Consultancy's revenue/employee is lower, at £110k vs. Legal's £116k. Plus, Corporate has the lowest proportion of revenues from Consultancy and is the Group's highest margin Platform (Figure 14).

We believe the margin differential between Legal services and Consultancy is primarily a function of mix and maturity, rather than a fixed structural distinction. In aggregate, Legal services benefit from a higher proportion of matters involving greater value and risk for clients, which typically supports stronger pricing and margin outcomes. Consultancy activities, while offering attractive growth and long-term margin potential, include a proportion of acquired and developing businesses where returns are still maturing, reflecting ongoing investment in people, capability and market positioning. As these businesses scale and operational leverage is realised, we would expect margin characteristics to continue to evolve over time.

Figure 14: Gateley's Platform contribution margin vs Consultancy proportion of revenue in FY25 (%)

April year end	Contribution margin	Proportion of Consulting revenues
Property	33.2%	40%
Corporate	41.8%	5%
Business Services	30.5%	24%
People	31.2%	31%
Total	34.5%	29%

Source: Company, h2Radnor

Headcount

As a people-based business, Gateley's ability to attract, develop, reward and retain key people is central to both its strategy and continued growth. We think that the Group is a dynamic place to work and note that in FY25, it made 73 fee earner promotions, including 16 to Partner or Partner equivalent.

In our opinion, the Group's listing is a competitive advantage as it can offer, alongside cash pay scales regularly benchmarked by the Group, equity to attract and retain people, especially younger lawyers at other firms below the level of partner. Given the increased risk of the traditional law firm partnership model and the cost of buying into a partnership, many young lawyers may prefer the mix of cash and equity incentives which Gateley offers. Moreover, the Group's listing has raised its profile which makes it more attractive to joiners.

Gateley said at its FY25 results that it has "below legal services average churn", which we feel is partly due to the attractive and varied compensation it can offer. The Group is financially transparent and secure, has risen up the UK law firm league table and has generated consistent revenue growth, all of which make it an appealing place to work in a UK legal sector, especially in a sector where other firms are increasingly challenged. Plus, the wide variety of services offered, split between Legal services and Consultancy also makes it an interesting and innovative place to work and progress when compared with firms solely focussed on one discipline.

Lateral hires of individuals or teams

Gateley's ongoing hiring of individuals and teams underscore its attraction. In FY24, the Group added people onto the Business Services Platform to seed legal services class actions and international arbitration businesses and to create an intellectual property commercialisation and valuation offering in its patent and trademark attorney businesses. The international arbitration team was boosted by making a couple of significant lateral hires from a Magic Circle firm.

In FY25, the Group made 15 lateral hires at Partner and Partner equivalent level, including a team which joined the Dubai office and, on the Corporate Platform, to its London-based corporate, tax and restructuring teams.

Headcount

In FY24, Gateley's average headcount increased by 6.7%, from 1,439 in FY23 to 1,536 in FY24 (Figure 15). The increase was comprised of a 6.8% in average professional staff, from 1,000 in FY23 to 1,068 in FY24 and of 6.6% in average administrative staff, from 439 in FY23 to 468 in FY24, with an unchanged proportion of average professional staff/total of 69.5% and average administrative staff/total staff of 30.5%.

Figure 15: Gateley's headcount

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	H125	FY25	H126
Average professional staff headcount	376	392	457	509	610	706	770	800	1,000	1,068	1,081	1,066	1,062
Change	0.8%	4.3%	16.6%	11.4%	19.8%	15.7%	9.1%	3.9%	25.0%	6.8%	4.4%	(0.2%)	(1.8%)
Average administrative staff headcount	223	230	239	248	297	341	343	350	439	468	484	505	532
Change	1.4%	3.1%	3.9%	3.8%	19.8%	14.8%	0.6%	2.0%	25.4%	6.6%	4.5%	7.9%	9.9%
Average headcount	599	622	696	757	907	1,047	1,113	1,150	1,439	1,536	1,565	1,571	1,594
Change	1.0%	3.8%	11.9%	8.8%	19.8%	15.4%	6.3%	3.3%	25.1%	6.7%	4.5%	2.3%	1.9%
Personnel costs, excluding IFRS 2 charge													
Wages and salaries	31.6	34.7	40.5	45.8	54.3	55.7	68.0	76.7	83.9	94.4	47.7	97.5	51.7
Social security costs	3.4	3.5	4.1	5.3	7.3	6.3	7.7	7.8	10.0	10.9	5.4	11.5	7.0
Pension costs	0.5	0.6	0.7	0.8	1.1	1.6	1.7	2.1	2.8	3.2	1.6	3.1	1.7
Total	35.5	38.8	45.2	51.9	62.8	63.5	77.5	86.5	96.8	108.5	54.7	112.1	60.4
Personnel costs, excluding IFRS 2 charge (proportion)													
Wages and salaries	89%	89%	89%	88%	87%	88%	88%	89%	87%	87%	87%	87%	86%
Social security costs	10%	9%	9%	10%	12%	10%	10%	9%	10%	10%	10%	10%	12%
Pension costs	1%	2%	2%	2%	2%	2%	2%	2%	3%	3%	3%	3%	3%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Average wages and salaries/per person (£k)	52.7	55.8	58.1	60.5	59.9	53.2	61.1	66.7	58.3	61.5	61.0	62.0	64.9
Change		5.9%	4.1%	4.1%	(1.0%)	(11.2%)	14.9%	9.1%	(12.5%)	5.4%	0.9%	0.9%	6.5%

Source: Company, h2Radnor

In FY25, average headcount increased by 2.3%, from 1,536 in FY24 to 1,571 in FY25. Professional staff numbers were little changed but there was a 2.3% rise in average administrative staff from 468 in FY24 to 505 in FY25, with the result that average professional staff as a proportion of total staff decreased from 69.5% in FY24 to 67.9% in FY25 whilst average administrative staff rose from 30.5% in FY24 to 32.1% in FY25.

Legal services's average headcount increased by 0.8% from 1,091 in FY24 to 1,100 in FY25. The more modest increase in Consultancy headcount reflects disciplined hiring across the business. Separately, the 0.2% reduction in average professional staff at Group level is largely explained by deliberate management of turnover within the People legal services private client team, rather than weaker underlying demand.

In H126, average headcount increased by 1.9%, from 1,565 in H125 to 1,594 in H126. Average professional staff numbers reduced by 1.8% from 1,081 in H125 to 1,062 in H126 as the programme of deliberate management of churn continued, partly offset by new hires. There was a 9.9% rise in average administrative staff from 484 in H125 to 532 in H126, with the result that average professional staff as a proportion of total staff decreased from 69.1% in H125 to 66.6% in H126 whilst average administrative staff rose from 30.9% in H125 to 33.4% in H126.

Internal equity re-circulation plan

Widespread share ownership is an important tool by the Group to incentivise staff, with over 65% either holding shares or participating in share schemes;

1) Save As You Earn ('SAYE')

The Group operates an, HMRC approved, SAYE scheme for all staff, with options vesting if the participant remains employed for the agreed vesting period of three years. Upon vesting, each option allows the holder to purchase the allocated ordinary shares at a discount of 20% of the market price determined at the grant date. At 30 April 2025,

2,629,238 shares (equivalent to 2.0% of the current share count) were covered by the SAYE at an average share price at grant date of £1.36.

2) *Company Share Option Plan ('CSOP')*

The Group operated an, HMRC approved, CSOP scheme for associates, senior associates, legal directors, equivalent positions in Gateley Group subsidiary companies and senior management positions in the support teams. Options under this scheme will vest if the participant remains employed for the agreed vesting period of three years. Upon vesting, each option allows the holder to purchase the allocated ordinary shares at the price on the date of grant. At 30 April 2025, 225,000 potential share awards (equivalent to 0.2% of the current share count) were covered by the CSOP at a share price of £1.74, so at the current share price these are out of the money. We understand that no new CSOP awards are being made.

3) *Long Term Incentive Plan ('LTIP')*

The Group operates an LTIP for the benefit of Executive Directors and Senior Management. Awards under the LTIP may be in the form of an option granted to the participant to receive ordinary shares on exercise dependent upon the achievement of profit related performance conditions (Figure 16).

Figure 16: Gateley's LTIP performance conditions

Adjusted, fully diluted earnings per share CAGR over the three year period ending 30 April 2025/26	Amount Vesting %
Below 5%	0%
5%	25%
Between 5% and 10%	Straight line vesting
Above 10%	100%

Source: Company, h2Radnor

LTIP awards over 837,500 awards failed to vest on 27 April 2025 as the 5% minimum increase in EPS for 27 April 2022 LTIP awards was not met, given the 8.5% reduction in diluted EPS from 14.54p in FY22 to 13.31p in FY25. As at 30 April 2025, 1,937,500 potential share awards (equivalent to 1.5% of the current share count) are covered by the LTIP. We understand that no new CSOP awards are being made.

4) *Restricted Share Award Plan*

The Group operates an RSA scheme for selected senior employees, which is now the Group's key equity incentive plan going forward. RSA's are awarded to new entrant partners and directors, which gets them on the aligned equity journey from day one, as opposed to the ask in a partnership whereby new partners joining or being promoted in LLP have to inject increasingly higher values of fixed capital and as such we see this as an important competitive advantage in attracting people to Gateley. In FY25, 94 senior employees received RSA awards, with an average award size of 35,641 shares.

Under the scheme, full vesting of each award is conditional upon the recipient remaining employed by the Group on the fifth anniversary of the award. During this vesting period, the awarded shares cannot be traded but the recipient is entitled to dividends from them. If the recipient leaves employment with the Group during the vesting period the shares are automatically forfeited to the Group's Employee Benefit Trust (EBT).

In 2024, the Group launched an internal share dealing mechanism (Mechanism) designed to facilitate the orderly recirculation of shares between existing and prospective employee shareholders. The initiative supports the Group's broader equity strategy by improving internal liquidity, enabling employees to build or maintain meaningful shareholdings without relying on external market issuance, and helping to manage shareholder dilution. The Mechanism is complementary to the RSA and EBT, reinforcing long-term alignment while supporting a stable and sustainable shareholder structure. An attraction of the RSA, particularly when set alongside the Mechanism, is that it helps facilitate a smooth reduction of the IPO Partner's holding, reducing any potential overhang exposure to the market, plus it shifts incentives for senior staff to an extent away from annual cash bonuses and towards a share scheme which locks them in for longer.

In October 2024, to part cover the RSA, and via the Mechanism, the EBT purchased 2m shares, representing 1.5% of the share capital, at an average share price of 138p and total cost of £2.8m. Persons discharging managerial responsibilities, and persons closely associated with them, sold 0.3m shares, accounting for 16% of the EBT purchase (Figure 17).

Figure 17: EBT purchases – October 2024

PDMR/PCA	Role	Number of shares sold	Value (£)	Proportion of the EBT purchase (%)
Rod Waldie	Chief Executive Officer	50,000	69,000	2.5
Victoria Walker (nee Garrad)	Chief Operating Officer	9,000	12,420	0.4
Andrew Walker	Spouse of Victoria Walker	8,213	11,334	0.4
Neil Smith	Chief Financial Officer	41,263	56,943	2.0
Rachel Smith	Spouse of Neil Smith	8,737	12,057	0.4
Nick Smith	Acquisitions Director	25,000	34,500	1.2
Alison Smith	Spouse of Nick Smith	25,000	34,500	1.2
Peter Davies	Director of Gateley Plc	50,000	69,000	2.5
Caroline Nuttall	Spouse of Callum Nuttall	50,000	69,000	2.5
Paul Jefferson	Director of Gateley Plc	50,000	69,000	2.5
Total		317,213	437,754	15.7

Source: Company, h2Radnor

In October 2025, to part cover the RSA, and again via the Mechanism, the EBT purchased 1.2m shares, representing 0.9% of the share capital, at an average share price of 116p and total cost of £1.4m. Persons discharging managerial responsibilities, and persons closely associated with them, sold 0.9m shares, accounting for 75% of the EBT purchase (Figure 18).

Figure 18: EBT purchases – October 2025

PDMR/PCA	Role	Number of shares sold	Value (£)	Proportion of the EBT purchase (%)
Nick Smith	Acquisitions Director	100,000	116,000	8.0
Peter Davies	Director of Gateley Plc	200,000	232,000	16.1
Paul Jefferson	Director of Gateley Plc	225,000	261,000	18.1
Callum Nuttall	Director of Gateley Plc	144,954	168,147	11.6
Caroline Nuttall	Spouse of Callum Nuttall	263,000	305,080	21.1
Total		932,954	1,082,227	74.9

Source: Company, h2Radnor

Post IPO lock-in/orderly market agreements

All of the 81 pre-IPO Partners remained immediately post-IPO (owning 70% of the Group's equity). In the first five years post-IPO, Partners were permitted to sell only some of their shares, up to 40% of their IPO holding, but only via a Lock-In and Orderly Market Agreement which was executed via an annual sale window where all those wishing to sell sold together. By the end of that agreement in June 2020 in fact only 20.9m shares in aggregate had been sold – only 71% of Partners' total sales entitlement for that period.

In 2020, the IPO Partners agreed voluntarily to enter in a new OMA. That agreement allowed, via a similar coordinated annual window mechanism, Partners to sell all those shares which they were permitted to sell but which they had not sold prior to then, plus a further 10% of their IPO holding each year. Through a combination of the first and second OMAs by the end of the decade post-IPO all IPO Partners could have sold 100% of their IPO holding, if they had wanted to do so. In fact, by the end of that decade IPO Partners remaining employed had only sold 43% of their total IPO holdings.

In 2025, on the tenth anniversary of the IPO, Partners and other material internal holders who had acquired their holdings post-IPO (sellers of businesses acquired by the Group post-IPO) signed up, again voluntarily, to the Mechanism. The Mechanism allows internal holders to notify the system administrator of their sale appetite – meaning how many shares they are currently interested to sell and at what minimum price. That sale appetite can be amended/updated freely as any Mechanism participant chooses from time to time. If a buyer (which can be an internal buyer, the EBT or an external buyer/institution) is interested to acquire shares it can notify its interest, at any time, to Company CFO (the system administrator). That interest will then be considered alongside the Mechanism sale order book and if it can be matched then those matched shares will (subject to close periods and any other legal restrictions preventing a sale) be sold at that price. What this means is that since June 2025, IPO and other material internal shareholders have been completely free to sell all of their shares.

Since June 2025 the EBT has made two purchases of shares via the Mechanism. Those purchases were made to warehouse shares for the RSA. The EBT made two similar purchases (outside of the Mechanism but within the terms of the second OMA) in April and October 2024. Those four EBT purchases were:

- 29-Oct-2025: 1,245,454 shares
- 20-Aug-2025: 1,416,808 shares
- 07-Oct-2024: 2,026,490 shares
- 05-Apr-2024: 1,864,622 shares

In each instance above the EBT offered to buy materially more shares than Partners were actually interested to sell.

We believe it is encouraging that 57% of their IPO shares (so 40% of Gateley's total share count) are still owned by the remaining IPO Partners, as theoretically the 70% of equity owned by the 81 post-IPO Partners could have been sold entirely, given they had been allowed to sell up to 10% of their holding pa, together with their unsold shares from the previous orderly sale periods.

None of the ex-OMA Partners own more than 2m shares (1.5% of total). We will not see whether ex-OMA Partners (aside from PLC Board members) have sold, as none have a holding above 3%. The number of Partners left in the OMA at the end of June 2020 has not disclosed by management.

Over time, it is well established now that some shares will come to market but it is clear that this cannot be prejudged or anticipated, the Mechanism still in place is intended to mitigate against that and after nearly 11 years selling all shares internally held is not the driving intention of key internal holders. Sales may accelerate if the share price rises and clearly the age of holders needs to be considered as an additional factor.

However, at the current share price valuation, especially with the high dividend yield, we think many Partners will choose to keep their shares; particularly those that value the cash from the dividend. Partners who have joined since IPO and plan on building their careers at Gateley, may feel that owning equity positions them better internally as it shows commitment. If ex-OMA shares are sold, it could be positive for the share price, as liquidity will rise.

Acquisitions

Since listing, through organic growth and via 16 acquisitions, Gateley has built significant scale and expanded its range of professional services well beyond its core legal services businesses, partly through 16 acquisitions. The Group's acquisitions have been bolt-ons with no initial consideration larger than £12m (Figure 19). Gateley has paid for acquisitions with cash and equity, broadly 50% each. At the FY25 results meeting Management indicated that, given then current share price, we may see later acquisitions leaning more towards a cash weighting, and indeed GWW was acquired in September 2025 for 75% cash. Deal terms usually include an earn-out for improved performance. Valuations for initial considerations vary but have been 0.9x EV/Revenue on average, which we see as attractive.

Figure 19: Gateley's post-IPO acquisitions

	Date	Description	Platform	Initial consideration (£m)	EV/Sales (x)	EV/EBITDA (x)	EV/EBITA (x)	EV/PBT (x)	Cash / Equity %
FY26									
GWW	Sep 25	Patent and Trademark	Business Services	5.7	1.2	n/a	n/a	4.1	75% / 25%
FY24									
RJA	Jul 23	Quantity surveyors	Property	3.9	1.0	n/a	n/a	4.9	52% / 48%
FY23									
Gateley Symbiosis	Oct 22	Chartered patent attorney firm	Business Services	2.5	1.4	n/a	n/a	8.3	60% / 40%
FY22									
Gateley Smithers Purslow	Apr 22	Chartered surveying practice	Property	12.2	1.0	n/a	n/a	4.9	56% / 44%
Adamson Jones	Jan 22	Patent and Trademark	Business Services	2.5	0.7	n/a	n/a	n/a	50% / 50%
Tozer Gallagher	Jul 21	Chartered quantity surveyors and construction consultants	Property	0.7	0.7	n/a	n/a	n/a	50% / 50%
FY20									
Gateley Vinden	Mar 20	Corporate advisory and consultancy in property and construction	Property	4.6	1.0	n/a	n/a	5.7	51% / 49%
Gateley Tweed	Feb 20	Reputation management and	Business Services	2.0	n/a	n/a	n/a	n/a	50% / 50%
t-three Group	Dec 19	Human Capital consulting	People	3.2	0.7	4.5	n/a	n/a	50% / 50%
FY19									
Gateley Global	Nov 18	Inward investment consultants	Corporate	n/a	n/a	n/a	n/a	n/a	n/a
Kiddy & Partners	Jul 18	Human Capital consulting	People	0.9	0.4	n/a	4.0	n/a	50% / 50%
GCL Solicitors	May 18	Legal advice for land and property clients	Property	4.2	0.7	6.9	n/a	n/a	55% / 45%
FY17									
Gateley Hamer	Sep 16	Surveyors	Property	1.0	0.8	n/a	3.4	n/a	50% / 50%
FY16									
Gateley Capitus	Apr 16	Specialist tax incentives	Property	2.7	2.0	n/a	4.6	n/a	58% / 42%

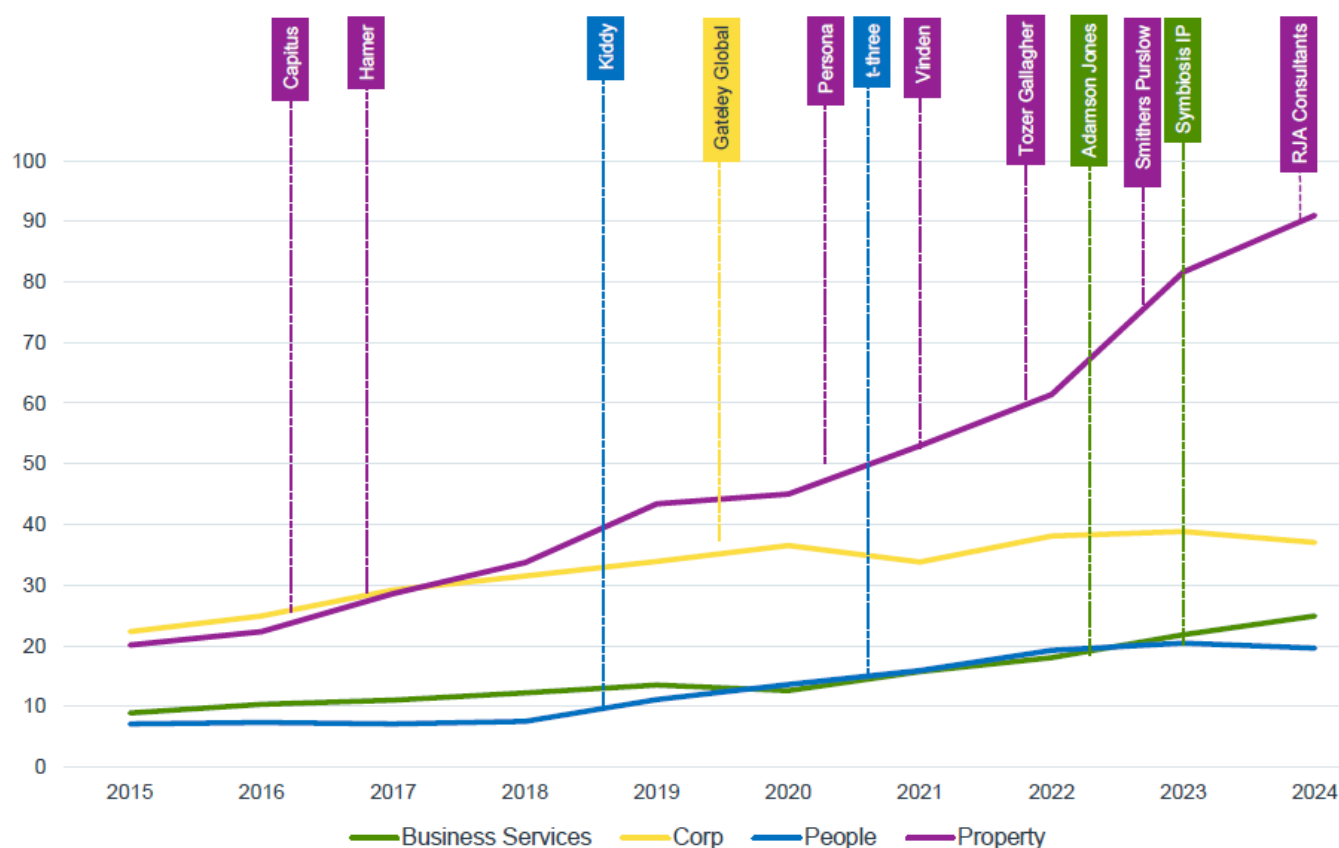
Source: Company, h2Radnor

Gateley has said that its acquisitions program involves making selective acquisitions including (i) other legal firms which offer geographical expansion or additional specialist services (ii) professional consultancy service businesses offering complementary services.

The Group's acquisitions have been highly weighted towards Consultancy, adding more than 30 new service lines, 322 additional professional staff and 19 new locations. We believe that the focus on Consultancy is largely as a result of implementation of the Group's IPO strategy, being to diversify via acquisition. Gateley's acquisitions have been weighted towards the Property Platform, which may partly reflect the significant breadth

of professional services operations supporting the UK commercial property sector (Figure 20).

Figure 20: Gateley's revenue growth by Platform (£m)



Source: Company (slide 35 of the H125 presentation), h2Radnor

At the H126 results, management added that “the professional services sector remains fragmented and we continue to see significant opportunities for further organic growth and selective acquisitions, aided by the Group's strong balance sheet, including undrawn headroom of £49.5m in the Group's RCF”.

At the FY25 results meeting, management noted that Private Equity has become increasingly visible as competition for professional services acquisitions, contrasting the past where they had been less interested in people businesses. As a result, management acknowledged that Gateley will not win every transaction, particularly where pricing favours a financial buyer. That said, Private Equity ownership is inherently time-limited, with investments typically structured around an eventual exit, which can be less attractive for sellers, particularly partnership sellers who often put significant value on continuity, cultural alignment and long-term stability. In this context, Gateley's position as a strategic, permanent owner differentiates it from financial buyers, allowing it to align more closely with some seller priorities.

Given the current low rating of Gateley's share price, in our opinion it should reduce the proportion of equity it deploys for acquisitions (as it did with the GWW purchase), especially as it has access to undrawn headroom on the RCF and it may make share buybacks more preferable than some acquisitions.

Below we set out an acquisition scenario which shows that if Gateley acquired a company for £40m at the start of FY27 it could enhance its EPS for that year by 4% (Figure 21). A £40m acquisition would be larger than the previous record of £12m but we contend that the Group would have only signed an £80m RCF if it was ambitious to do larger deals. We assume that the acquisition target has the same margin as Gateley. Post transaction net debt/EBITDA would be 0.9x which we think is comfortable. We assume a 75/25% split of cash/equity, in line with the split used for the recent GWW acquisition, lower than the historic split of around 50/50% but we think at the current share price valuation management would not want to issue too much equity.

Figure 21: Gateley – h2Radnor’s acquisition scenario in FY27

Metrics	Amount
Amount paid for target (£m)	40
EV/Revenue paid for target (x)	0.9
Revenues acquired (£m)	44
Proportion paid in cash	75%
Proportion paid in equity	25%
Cash paid (£m)	30
Equity paid (£m)	10
Interest on extra debt (using the RCF)	5.5%
Current share price (p)	66
Number of shares to be issued (m)	15
EPS uplift in FY27	4%
New net debt/EBITDA (x)	0.9

Source: h2Radnor

In the last few years, Knights has recently completed more acquisitions than Gateley but the latter may be in a stronger position to finance deals from debt and equity as Knights’s equity is more lowly-rated than Gateley and it has more financial leverage with net debt of £75m (on a market cap of £145m) vs Gateley with £20m of net debt (on a market cap of £91m). Keystone does not acquire.

Given Gateley’s relatively low valuation and growing private equity interest in the legal and professional services sectors it could be that it becomes a target, especially as, unlike many law firms, it is listed. The pre-IPO Partners still own a significant stake in the Group, which may be a block for a bidder, albeit we note that DWF, at the time the UK’s largest quoted law firm was acquired for cash by Inflexion, a private equity company, for £342m in 2023, at a 53% premium, and it too had a significant holding from pre-IPO Partners.

Platforms

The Group sells its services through 26 business lines, grouped into four Platforms. In FY22, Gateley reorganised from five to four Platforms (Figure 22).

Figure 22: Gateley's Platform reclassification – revenues from FY21

Old classification	Revenue (£m)	Proportion (%)	New classification	Revenue (£m)	Proportion (%)
Property	53	44	Property	53	44
Corporate	22	18	Corporate	34	28
Banking and Financial Services	16	13	Business Services	16	13
Employee Pensions and Benefits	14	12	People	16	13
Business Services	13	11	Other	3	2
Other	3	2			
Total	121	100	Total	121	100

Source: Company, h2Radnor

Helpfully, Gateley provides more revenue granularity than Keystone or Knights as it discloses Group revenue by both Platforms and between Legal services and Consultancy, whereas Keystone and Knights only report overall Group revenue. In H126, three of the Group's reported organic revenue growth (Figure 23).

Figure 23: Gateley's Platform revenue (£m)

April year end	FY21	FY22	FY23	FY24	H125	H225	FY25	H126	H226	FY26	FY27	FY28
Revenue												
Property	53.0	61.4	81.6	91.0	44.0	50.5	94.5	50.3	50.3	100.6	102.8	105.3
Corporate	33.8	38.1	38.8	37.1	18.7	20.3	39.0	18.6	20.5	39.1	41.1	43.3
Business Services	15.7	18.0	21.8	24.9	14.3	14.1	28.5	15.4	16.5	31.9	35.1	36.9
People	15.9	19.2	20.4	19.6	9.3	8.3	17.5	10.0	8.0	18.0	18.5	19.1
Other	2.9	0.6										
Total	121.4	137.2	162.7	172.5	86.3	93.2	179.5	94.3	95.3	189.6	197.4	204.7
Revenue growth												
Property		15.9%	32.9%	11.4%	4.1%	3.6%	3.9%	14.3%	(0.3%)	6.5%	2.1%	2.5%
Corporate		12.6%	1.9%	(4.4%)	11.1%	0.4%	5.3%	(0.4%)	0.8%	0.2%	5.1%	5.5%
Business Services		14.4%	21.5%	14.0%	8.5%	20.9%	14.3%	7.2%	16.8%	12.0%	10.0%	5.4%
People		20.5%	6.6%	(4.3%)	(3.9%)	(16.5%)	(10.3%)	8.4%	(3.9%)	2.6%	2.6%	3.2%
Other		(78.0%)										
Total		13.1%	18.5%	6.0%	5.3%	2.9%	4.1%	9.3%	2.2%	5.6%	4.1%	3.7%
Organic revenue growth												
Property					(0.1%)	3.6%	1.3%	14.3%	(0.3%)	6.5%	2.1%	2.5%
Corporate					11.1%	0.4%	5.3%	(0.5%)	0.8%	0.2%	5.1%	5.5%
Business Services					8.5%	20.9%	14.3%	3.1%	(0.1%)	1.5%	5.0%	5.4%
People					(3.9%)	(16.7%)	(10.3%)	8.4%	(3.9%)	2.6%	2.6%	3.2%
Total					3.2%	2.9%	2.8%	8.6%	(0.3%)	4.0%	3.3%	3.7%
Revenue proportion												
Property	44%	45%	50%	53%	51%	54%	53%	53%	53%	53%	52%	51%
Corporate	28%	28%	24%	21%	22%	22%	22%	20%	21%	21%	21%	21%
Business Services	13%	13%	13%	14%	17%	15%	16%	16%	17%	17%	18%	18%
People	13%	14%	13%	11%	11%	9%	10%	11%	8%	9%	9%	9%
Other	2%	0%										
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Company, h2Radnor

Gateley's contribution margin reduced from 35.5% in H125 to 34.0% in H126, three of the Platforms showed a decrease, with Property seeing an increase (Figure 24).

Figure 24: Gateley's Platform contribution (£m)

April year end	FY21	FY22	FY23	FY24	H125	H225	FY25	H126	H226	FY26	FY27	FY28
Contribution												
Property	24.4	23.0	31.0	33.2	13.9	17.5	31.4	18.0	17.6	35.5	36.8	38.4
Corporate	11.4	15.4	13.9	14.0	8.0	8.3	16.3	6.7	9.0	15.7	16.9	18.1
Business Services	6.4	5.7	5.3	7.5	5.3	3.4	8.7	4.7	4.4	9.0	10.1	10.9
People	4.9	6.9	6.0	5.8	3.4	2.0	5.5	2.7	2.3	5.0	5.3	5.5
Other	2.9	0.6										
Total	50.0	51.6	56.3	60.5	30.7	31.2	61.9	32.0	33.2	65.2	69.1	72.9
Margin												
Property	46.0%	37.4%	38.0%	36.5%	31.6%	34.6%	33.2%	35.7%	34.9%	35.3%	35.8%	36.5%
Corporate	33.7%	40.4%	36.0%	37.7%	42.9%	40.9%	41.8%	36.0%	43.8%	40.1%	41.2%	41.7%
Business Services	40.8%	31.9%	24.4%	30.2%	36.8%	24.0%	30.5%	30.3%	26.4%	28.3%	28.9%	29.4%
People	30.8%	36.1%	29.3%	29.5%	37.2%	24.6%	31.2%	27.1%	29.1%	28.0%	28.6%	29.0%
Other	100.0%	100.0%										
Total	41.2%	37.6%	34.6%	35.1%	35.5%	33.5%	34.5%	34.0%	34.8%	34.4%	35.0%	35.6%
Margin change												
Property	(18.8%)	1.7%	(3.9%)	(10.7%)	(7.7%)	(9.1%)	12.8%	0.8%	6.2%	1.5%	1.8%	
Corporate	19.7%	(10.9%)	4.8%	37.1%	(5.1%)	11.0%	(16.1%)	7.2%	(4.2%)	2.8%	1.2%	
Business Services	(21.7%)	(23.5%)	23.8%	47.6%	(33.7%)	0.8%	(17.8%)	10.0%	(7.2%)	2.3%	1.7%	
People	17.1%	(18.9%)	0.8%	27.4%	(17.7%)	5.7%	(27.0%)	18.5%	(10.3%)	2.0%	1.4%	
Total	(8.7%)	(8.0%)	1.4%	10.5%	(11.3%)	(1.8%)	(4.5%)	4.1%	(0.2%)	1.8%	1.6%	
Contribution proportion												
Property	49%	44%	55%	55%	45%	56%	51%	56%	53%	54%	53%	53%
Corporate	23%	30%	25%	23%	26%	27%	26%	21%	27%	24%	24%	25%
Business Services	13%	11%	9%	12%	17%	11%	14%	15%	13%	14%	15%	15%
People	10%	13%	11%	10%	11%	7%	9%	8%	7%	8%	8%	8%
Other	6%	1%										
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Company, h2Radnor

Property

Overview

Property is the Group's largest and most mature Platform and focuses on clients' activities in real estate development and investment and in the built environment in the widest sense and in up, down and cycle-agnostic facing service lines (Figure 25). Gateley's team of surveyors, property tax consultants and lawyers work with property investors, owners, occupiers and developers at every stage of the property lifecycle, from opportunity identification through to the use and commercialisation of property assets.

Figure 25: Property's business lines

Property	Legal service lines	Consultancy service lines
	Construction	Gateley Capitus
	Planning	Gateley Hamer (inc. Persona Associates)
	Real Estate	Gateley RJA
	Real Estate Dispute Resolution	Gateley Smithers Purslow
	Residential Development	Gateley Vinden (inc. Tozer Gallagher)

Source: Company, h2Radnor

Within Property, Gateley's lawyers advise on construction, planning, residential development, real estate finance, development and disputes and investment. The Platform's property tax specialists within Gateley Capitus combine with the built environment consultants in Gateley Vinden (incorporating Tozer Gallagher) and Gateley Hamer to offer a one stop shop for all real estate needs.

The Platform is further complemented by Gateley Smithers Purslow (GSP) and Gateley RJA, specialist providers of surveying services, principally to the insurance industry and the affordable housing market. Property provides a variety of legal services to all top 20 housebuilders but is not directly exposed to residential conveyancing, which helps reduce cyclicity.

Probably reflecting its scale and breadth of offering. Property has the most market leading position of the Group's Platforms and management have said it is now in a strong enough position to compete directly with the well-established, multi-disciplinary property consultancies.

Figure 26: Gateley's Property Platform segment revenue proportion

April year end	FY22	FY23	FY24	H125	FY25	H126
Platform mix (%)						
Housebuilding	37	31	26	26	26	29
Real Estate	24	18	16	14	16	15
Construction	12	11	13	12	13	14
Planning	4	3	3	3	3	2
Disputes	3	2	2	2	2	2
Legal	80	65	60	57	60	62
Consulting	21	35	40	43	40	38
Total	100	100	100	100	100	100

Source: Company, h2Radnor

Housebuilding is the main segment albeit, positively, the Platform has diversified in recent years (Figure 26).

Figure 27: Gateley's Property Platform financials (£m)

April year end	FY21	FY22	FY23	FY24	H125	H225	FY25	H126	H226	FY26	FY27	FY28
Revenue	53.0	61.4	81.6	91.0	44.0	50.5	94.5	50.3	50.3	100.6	102.8	105.3
Organic growth					(0.1%)	3.6%	1.3%	14.3%	(0.3%)	6.5%	2.1%	2.5%
Acquisition growth					4.2%	0.0%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Total growth		15.9%	32.9%	11.4%	4.1%	3.6%	3.9%	14.3%	(0.3%)	6.5%	2.1%	2.5%
Contribution	24.4	23.0	31.0	33.2	13.9	17.5	31.4	18.0	17.6	35.5	36.8	38.4
Change				7.1%	(7.1%)	(4.3%)	(5.6%)	28.9%	0.5%	13.1%	3.6%	4.3%
Margin	46.0%	37.4%	38.0%	36.5%	31.6%	34.6%	33.2%	35.7%	34.9%	35.3%	35.8%	36.5%
Change		(18.8%)	1.7%	(3.9%)	(10.7%)	(7.7%)	(9.1%)	12.8%	0.8%	6.2%	1.5%	1.8%

Source: Company, h2Radnor

FY24

In FY24, Property's revenue rose by 11.4%, which we thought was impressive given the weak backdrop of the UK's property sector (Figure 27). In part, Gateley benefitted from an increase in non-transactional advisory and dispute resolution services, which included helping residential development clients navigate regulation under the high-profile Building Safety Act (post-Grenfell) and advising on related remediation projects.

RJA, acquired in July 2023, "had an excellent start in Group, exceeding expectations" and it was said to have had 26% organic revenue growth. Property saw the greatest proportionate increase in Consultancy revenues, from 35% in FY23 to 40% in FY24, we think mainly due to the RJA, which is a consulting business. The Platform's contribution margin declined from 38.0% in FY23 to 36.5% in FY24 and no reason was given for that.

FY25

Against the backdrop of challenging market conditions in UK commercial and residential real estate, we liked that Property continued to be resilient, with 1.3% organic revenue growth. Total revenue growth, including the last three months of the RJA acquisition, was 3.9%, comprised of growth of 4.1% in H125 and 3.6% in H225. The organic revenue growth of 1.3%, comprised of an organic decline of 0.1% in H125 and we estimate organic growth of 3.6% in H225. Although the Group performed much better than the market it did rationalise parts of some teams where activity levels had reduced.

Commercial real estate reported a 3.2% like-for-like revenue increase. Gateley continued to see an increase in non-transactional advisory and dispute resolution services, including helping its wide range of residential development clients navigate regulation under the high-profile Building Safety Act (post-Grenfell) and advising on related remediation projects.

Consultancy's revenue rose by 2.8% but declined from 40.4% of Property's revenue in FY24 to 40.1% in FY25 because of the higher growth of Legal services. GSP saw revenue growth of 10.3%, benefitting from above average claims in the insurance sector, whilst the RJA had revenue growth of 28.0%, underscoring the attraction of this acquisition.

The Platform's contribution margin declined from 36.5% in FY24 to 33.2% in FY25, with a decline from 35.4% in H124 to 31.6% in H125 and from 37.5% in H224 to 34.6% in H225, partly due to mix and also a further expansion of headcount in its construction, housebuilding and specialist consultancy teams to capitalise on the positive tailwinds of Building Safety Act reforms and Government policy and planning, especially around decisions to speed up planning and supply for UK house building.

H126

Property continued to perform well, especially given the macro backdrop, with 14.3% organic revenue growth. In Legal services, Housebuilding (+24.9%), Real Estate (+23.4%) and Construction (+27.8%) all achieved strong organic revenue growth, despite subdued underlying markets, benefitting in part from Building Safety Act reforms.

Consultancy's revenue rose by 2.1% but declined from 43.0% of Property's revenue in H125 to 38.4% in H126 because of the higher growth of Legal services. GSP saw revenue growth of 8.0%, whilst reported revenue growth of 56.3%. Gateley Capitus was in line whereas Gateley Hamer and Gateley Vinden continue to decline albeit their H2 outlooks were said to be better than H1.

The Platform's contribution margin rose from 31.6% in H125 to 35.7% in H126, the only platform to see an increase, primarily benefitting from the strong organic revenue growth, which more than offset ongoing investment in headcount increase.

Corporate

Overview

This Platform focuses on the corporate, financial services and restructuring markets in both transaction and business support services (Figure 28). Corporate brings together the skills of corporate and banking and finance, tax and restructuring lawyers.

The Group advises private and public companies, owner-managed businesses, and entrepreneurs at every stage of their corporate lifecycle from start up to exit, dealing with all aspects of managing financial and governance responsibilities along the way.

Figure 28: Corporate's business lines

Corporate	Legal service lines
	Banking
	Corporate
	Restructuring Advisory
	Taxation

Source: Company, h2Radnor

Corporate is comprised of four segments, with the Commercial segment having been merged into the other five in FY25 and Consulting moved to the People platform in H126 (Figure 29).

Figure 29: Gateley's Corporate Platform segment revenue proportion

April year end	FY22	FY23	FY24	H125	FY25	H126
Platform mix (%)						
Corporate	50	53	52	52	52	57
Banking	21	18	19	23	21	25
Commercial	11	7	7			
Restructuring	10	13	16	15	16	11
Tax	6	6	5	6	7	7
Legal	98	97	98	98	96	100
Consulting	2	3	2	4	5	
Total	100	100	100	102	100	100

Source: Company, h2Radnor

Figure 30: Gateley's Corporate Platform financials (£m)

April year end	FY21	FY22	FY23	FY24	H125	H225	FY25	H126	H226	FY26	FY27	FY28
Revenue	33.8	38.1	38.8	37.1	18.7	20.3	39.0	18.6	20.5	39.1	41.1	43.3
Organic growth					11.1%	0.4%	5.3%	(0.5%)	0.8%	0.2%	5.1%	5.5%
Acquisition growth					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total growth		12.6%	1.9%	(4.4%)	11.1%	0.4%	5.3%	(0.5%)	0.8%	0.2%	5.1%	5.5%
Contribution	11.4	15.4	13.9	14.0	8.0	8.3	16.3	6.7	9.0	15.7	16.9	18.1
Change				0.2%	52.3%	(4.7%)	16.8%	(16.5%)	8.1%	(4.0%)	8.0%	6.8%
Margin	33.7%	40.4%	36.0%	37.7%	42.9%	40.9%	41.8%	36.0%	43.8%	40.1%	41.2%	41.7%
Change		19.7%	(10.9%)	4.8%	37.1%	(5.1%)	11.0%	(16.1%)	7.2%	(4.2%)	2.8%	1.2%

Source: Company, h2Radnor

FY24

In FY24, Corporate's revenue reduced by 4.4%, primarily because Legal services was impacted by lower volumes of transactional activity (Figure 30). Corporate's best performing teams were restructuring and recovery, which are natural counterweights to traditional transactional activity as following subdued trading conditions for a number of years revenue levels rose by 20.8% in FY24, as pandemic support unwound and inflationary pressures and interest rate increases impacted UK businesses. Mandates were generated both in-market and internally, including working alongside experts in Gateley Vinden and Gateley's Legal services construction unit in delivery of market-leading services to insurers who have bonded construction projects that became distressed.

Corporate has the highest margin of the Platforms, we think partly reflecting its high weighting towards Legal services rather than Consultancy, given that the former is higher margin than the latter. Despite the lower revenue, Corporate was able to improve its contribution margin, from 36.0% in FY23 to 37.7% in FY24.

FY25

In FY25, Corporate's revenue rebounded, with 5.3% organic growth, despite the continued trend of lower volumes of transactional activity. The corporate, banking and tax transactional teams benefitted from a spike in activity before the Autumn Budget, as vendors accelerated sale processes to avoid a potential increases in capital gain tax rates. We believe that the Budget impact explains Corporate's very strong performance in the first half (May to October) as activity which would ordinarily have been transacted in H2 was displaced into H1, resulting in revenue rising by 11.1% in H125 and then by only 0.4% in H225.

The restructuring business reported 7.5% revenue growth, as the weak macro environment and end of Covid-support for businesses caused an increase in corporate insolvencies. The banking team had a busy year, especially in the last few months, delivering 16.0% revenue growth.

Gateley Global, the sole consultancy business, saw 255% revenue growth having been appointed by the West Midlands Combined Authority (WMCA) to support its High Growth Accelerator Programme, through which selected businesses access support from Gateley Global to help overcome barriers to growth and manage sustainability. As a result, Consultancy rose as a proportion of Corporate's revenues from 1.5% in FY24 to 5.0% in FY25. Management said that the Group's broad range of professional services was a key factor in the WMCA win. Since H126, Global has been reclassified within the People Platform.

Corporate's contribution margin rose from 37.7% in FY24 to 41.8% in FY25, comprised of an increase from 31.3% in H124 to 42.9% in H125 but a decrease from 43.0% in H124 to 40.9% in H125, we believe because of the spike in activity between the General Election and Budget period benefitting the H1 margin.

H126

In H126, Corporate's saw a 0.5% organic revenue decline, the only decline amongst the Platforms, mainly due to the UK Government's November Budget impacting transactional services activity. Managements' explanation was that in this case considerable uncertainty ahead of a delayed Budget had brought transactions to a halt, depressing H1 performance. Management added that given that the Budget had not in

fact delivered some of the worst-case scenarios imagined, again activity had been displaced, as opposed to lost, and that as a result they expected a rebound in H2. We note that Corporate is the most transactional based of the Platforms.

Banking reported the strongest result with 15.2% revenue growth, benefitting from concentration on sourcing higher-quality work and shifting away from reliance on big-bank panel work and corporate support. Corporate saw 7.5% revenue growth. The Tax team's revenue was said to be ahead of its prior year H1 revenue whilst Restructuring Advisory had a quieter H1 in revenue terms.

Corporate's contribution margin declined from 42.9% in H125 to 36.0% in H126, we think partly due to the revenue decline.

Business Services

Overview

This Platform supports clients in dealing with their commercial agreements, managing risks, protecting assets and resolving disputes (Figure 31). The Platform combines the considerable commercial expertise of Gateley's Intellectual Property (IP) and dispute resolution lawyers with that of Patent and Trade Mark attorneys within GWW, Adamson Jones and Symbiosis IP, with expertise spanning engineering, medical devices, pharmaceuticals and biotechnology. In FY24, the Platform established Austen Hays, its own legal services class actions practice.

Figure 31: Business Services's business lines

Business Services	Legal service lines	Consultancy service lines
	Austen Hays	Adamson Jones
	Complex International Litigation	Symbiosis IP
	Commercial Dispute Resolution	GWW
	Intellectual Property	
	Regulatory and Business Defence	
	Reputation, media and privacy law	

Source: Company, h2Radnor

In recent years, Business Services has become less dependent on the Commercial Litigation segment (Figure 32).

Figure 32: Gateley's Business Services Platform segment revenue proportion

April year end	FY22	FY23	FY24	H125	FY25	H126
Platform mix (%)						
Commercial Litigation	47	44	43	37	36	37
Complex and International Dispute Resolution	26	11	15	18	20	19
Intellectual Property and Commercial Technology	9	11	8	16	13	11
Regulatory	7	7	8	6	6	7
Reputation management	4	3				
Legal	93	77	74	77	75	74
Consulting	7	23	26	23	24	26
Total	100	100	100	100	100	100

Source: Company, h2Radnor

The growth of the Patent and Trade Mark Attorneys businesses has taken Consultancy to 26% of revenues and this should rise further once the GWW acquisition annualises.

Figure 33: Gateley's Business Services Platform financials (£m)

April year end	FY21	FY22	FY23	FY24	H125	H225	FY25	H126	H226	FY26	FY27	FY28
Revenue	15.7	18.0	21.8	24.9	14.3	14.1	28.5	15.4	16.5	31.9	35.1	36.9
Organic growth					8.5%	20.9%	14.3%	3.1%	(0.1%)	1.5%	5.0%	5.4%
Acquisition growth					0.0%	0.0%	0.0%	4.1%	16.9%	10.5%	5.0%	0.0%
Total growth		14.4%	21.5%	14.0%	8.5%	20.9%	14.3%	7.2%	16.8%	12.0%	10.0%	5.4%
Contribution	6.4	5.7	5.3	7.5	5.3	3.4	8.7	4.7	4.4	9.0	10.1	10.9
Change				41.1%	60.1%	(19.8%)	15.2%	(11.9%)	28.6%	3.9%	12.5%	7.2%
Margin	40.8%	31.9%	24.4%	30.2%	36.8%	24.0%	30.5%	30.3%	26.4%	28.3%	28.9%	29.4%
Change		(21.7%)	(23.5%)	23.8%	47.6%	(33.7%)	0.8%	(17.8%)	10.0%	(7.2%)	2.3%	1.7%

Source: Company, h2Radnor

FY24

In FY24, Business Service's revenue rose by 14.0%, the best Platform performance and we contend that positive operational gearing contributed to its contribution margin rising from 24.4% in FY23 to 30.2% in FY24, the largest proportional rise (Figure 33).

Legal services's regulatory and business defence team had a record year, reflecting clients' needs for specialist advice in an increasingly regulated environment across all sectors. In addition, the dispute resolution teams saw an increase in demand from both UK and overseas clients and we note that the Complex and International Dispute Resolution segment rose from 11% of revenues in FY23 to 15% in FY25.

In Consultancy, there was a strong performance from the patent and trade mark attorney business, whose outturn was enhanced by the first full year contribution from Symbiosis, specialising in the life sciences industry and adding to Adamson Jones' expertise in engineering, medical devices, pharmaceuticals and biotechnology.

FY25

As in FY24, Business Services produced the fastest revenue growth of the Platforms, at 14.3%, all organic. Business Services was also the only Platform to see an acceleration in trading across the year, with revenue growth of 8.5% in H125 and of 20.9% in H225. Growth was led both by dispute resolution and by the patent and trade mark attorney businesses. We note that the Complex and International Dispute Resolution segment rose from 15% of revenues in FY24 to 20% in FY25 whilst the Intellectual Property and Commercial Technology segment rose from 8% of revenues in FY24 to 13% in FY25.

Legal services's dispute resolution teams saw a strong increase in demand from both UK and overseas clients. Overseas activity was especially strong in Central Europe, the Middle East and Africa; regions which Gateley has targeted. Dispute resolution is counter-cyclical or agnostic in nature and therefore benefitted from a weak macro backdrop. Austen Hays continues to research new potential class actions cases alongside its existing first case.

Consultancy's revenue rose by 3.9% but declined from 26.9% of the Platform's revenues in FY24 to 23.6% in FY25; as Legal services grew faster. Gateley's Patent and Trade Mark Attorneys businesses; Adamson Jones and Symbiosis, performed especially strongly.

Business Services contribution margin rose from 30.2% in FY24 to 30.5% in FY25 which was especially encouraging given on-going investment in high opportunity areas (competition litigation, class actions and international arbitration). Specifically, for class actions, in the year Gateley developed systems to support the on-boarding of a legal services team to run class action claims, which required a bespoke technology platform, at a one-off cost of £0.5m. The contribution margin rose from 25.0% in H124 to 36.8% in H125 but declined from 36.2% in H224 to 24.0% in H225, which we argue reflected a ramp up of investment in H2.

H126

Business Services reported 7.2% revenue growth in H126, comprised of 3.1% organic growth and 4.1% acquisition growth from the purchase of GWW in trade mark attorney services.

The Regulatory and Business Defence team had the strongest performance with 21.3% revenue growth. The Platform continued to benefit from its counter-cyclical profile, with

the Commercial Dispute Resolution team and the Complex International Dispute Resolution team grew their revenue by 9.2% and 7.3%. The Class Actions team has a large case in active process and continues its wider book-build with three well progressed case appraisals in pipeline.

Legal services continued to invest in laterally hired legal services Partners, including in Complex International Dispute Resolution and Intellectual Property, Commerce and Technology.

In consultancy services, both Adamson Jones and Symbiosis saw a contraction in H1 revenue, following some people changes in both businesses and, in the case of Symbiosis, some current challenges in the UK tertiary education sector.

The contribution margin declined from 36.8% in H125 to 30.3% in H126 we think partly due to the lateral hiring as it will take some time for new hires to reach peak productivity.

People

Overview

This Platform supports clients dealing with people management and in administering individuals' personal affairs (Figure 34).

Figure 34: People's business lines

People	Legal service lines	Consultancy service lines
	Employment	Entrust Pension
	Pensions	Gateley Global
	Private Client	Kiddy & Partners
		T-three

Source: Company, h2Radnor

People connects the advisory skills of the leadership and development consultancies T-three and Kiddy & Partners with the expertise of employment and pensions lawyers within Gateley Legal and the independent pension trustees within Entrust. The Platform also includes a private client team with experts in private wealth matters for individuals based in England and internationally, private wealth disputes and family issues.

With a team of people development consultants, pensions advisers and lawyers, Gateley helps employers fix the people issues that arise within organisations in everyday operations and change projects. The Platform enables businesses to become fitter for the future, flexing the implemented solutions in response to changing economic and social contexts.

Pensions became People's largest segment at 36% of revenues in H126, having risen from 13% in FY22 which we believe is impressive (Figure 35).

Figure 35: Gateley's People Platform segment revenue proportion

April year end	FY22	FY23	FY24	H125	FY25	H126
Platform mix (%)						
Pensions	13	14	20	24	24	36
Employment	31	29	31	31	33	30
Private Client	23	24	21	16	13	7
Legal	67	67	72	71	70	73
Consulting	33	33	28	29	31	27
Total	100	100	100	100	100	100

Source: Company, h2Radnor

Figure 36: Gateley's People Platform financials (£m)

April year end	FY21	FY22	FY23	FY24	H125	H225	FY25	H126	H226	FY26	FY27	FY28
Revenue	15.9	19.2	20.4	19.6	9.3	8.3	17.5	10.0	8.0	18.0	18.5	19.1
Organic growth					(3.9%)	(16.5%)	(10.3%)	8.4%	(3.9%)	2.6%	2.6%	3.2%
Acquisition growth					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total growth		20.5%	6.6%	(4.3%)	(3.9%)	(16.5%)	(10.3%)	8.4%	(3.9%)	2.6%	2.6%	3.2%
Contribution	4.9	6.9	6.0	5.8	3.4	2.0	5.5	2.7	2.3	5.0	5.3	5.5
Change				(3.5%)	22.3%	(31.2%)	(5.1%)	(20.9%)	13.9%	(8.0%)	4.7%	4.6%
Margin	30.8%	36.1%	29.3%	29.5%	37.2%	24.6%	31.2%	27.1%	29.1%	28.0%	28.6%	29.0%
Change		17.1%	(18.9%)	0.8%	27.4%	(17.7%)	5.7%	(27.0%)	18.5%	(10.3%)	2.0%	1.4%

Source: Company, h2Radnor

FY24

In FY24, People's revenue reduced by 4.3%, due mainly to deliberate management of churn in the legal services private client team, where Gateley reduced scale and re-focused on core services to high-net-worth clients (Figure 36). Despite the revenue decline, the Platform's contribution margin rose from 29.3% in FY23 to 29.5% in FY24.

The other businesses on the Platform performed well, with the legal services pension team and pension trustee business Entrust together grew revenue by 30.7% and we note that the Pensions segment rose from 14% of revenue in FY23 to 20% in FY24. T-three and Kiddy & Partners, Gateley's talent assessment, development and cultural change businesses, saw stable revenue and continue to attract significantly sized clients buying dual services, with particular focus on scalable products to high growth clients.

FY25

In FY25, People's revenue reduced by 10.3%, comprised of declines of 3.9% in H125 and 16.5% in H225, due mainly to the previously announced deliberate management of churn in the legal services private client team, which led to a 46% revenue reduction in this segment, albeit management said that the re-cast team will be stable into FY26.

The reorganisation was supported by the appointment of a private client Chartered Tax Advisor with both a Big Four accounting background and a high net worth focus. That revenue declined due to the reorganisation of the private client team is underscored by the fact that the People had the largest increase in activity of the four Platforms, from 75% in FY24 to 92% in FY25, as fewer employees generated more revenue per employee.

Elsewhere, in Legal services, the pension team and Entrust, the pension trustee business performed well, with revenue growth of 11.7%; partly reflecting the economic resilience of these teams and the structural growth opportunity. Gateley has said that the pensions sector is one in which it is keen to make further investment to service the increasing number of pension schemes looking to complete all liability buy-outs, and/or out-source management of their pension schemes to organisations like Entrust.

Consultancy's revenue reduced by 10% as T-three and Kiddy & Partners, People's talent assessment, development and cultural change businesses, contracted albeit they continued to attract significantly sized clients buying dual services, with particular focus on scalable products to high growth clients. Consultancy increased from 30.8% of revenues in FY24 to 30.9% in FY25, presumably because of the greater contraction in the legal services private client team.

People's contribution margin rose from 29.5% in FY24 to 31.2% in FY25, rising from 29.2% in H124 to 37.2% in H125 but declining from 29.8% in H224 to 24.6% in H225, which is impressive given the revenue reduction and may reflect mix.

H126

In H126, People's revenue increased by 8.4% organically, which included the addition of around 0.5% from the repositioning of Gateley Global from the Corporate Platform. Pensions was the strongest segment reporting 14.7% revenue growth and continues to benefit from the Pension scheme full liability buy-out activity. Private Client was said to have declined due to ongoing deliberate management of churn.

In Consultancy Services, market conditions remained challenging for t-three and Kiddy & Partners as, in the current macro, businesses think carefully before launching into leadership development and cultural change projects, albeit the outlook for H2 for both was said to be better. Consultancy Services reduced from 28.8% of revenue in H125 to 27.2% in H126.

People's contribution margin declined from 37.2% in H125 to 27.1% in H126.

Financials

P&L

Revenue

Gateley has grown revenues each year since 2004, with a 12.9% CAGR (FY04-FY25), and an 11.4% CAGR since IPO (FY15-FY25), and even more impressively it has reported organic revenue growth consistently since IPO, with a 9.0% CAGR (FY15-25), which we think is particularly impressive as this period included the recessions of 2008-9, 2020 and 2023 (Figure 37). The Group does not split out organic revenue growth between volume, price and mix. Acquisitions have further boosted revenue.

We forecast average organic revenue growth of just 3.6% over the next three years which may be conservative given historic levels, organic growth initiatives and scope to increase pricing. We note that the Group achieved 8.6% organic revenue growth in H126. Plus, we do not forecast acquisitions, which are likely.

Figure 37: Gateley's revenue

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (£m)	60.9	67.1	77.6	86.1	103.5	109.8	121.4	137.2	162.7	172.5	179.5	189.6	197.4	204.7
Organic growth (%)		10.2	12.7	9.5	9.5	3.5	4.7	10.9	6.2	2.8	2.8	4.0	3.3	3.7
Acquisition growth (%)		0.0	3.0	1.5	10.7	2.7	5.8	2.2	12.3	3.2	1.3	1.7	0.8	-
Total growth (%)	13.1	10.2	15.7	11.0	20.2	6.2	10.5	13.1	18.5	6.0	4.1	5.6	4.1	3.7

Source: Company, h2Radnor

Historically, Gateley's defensiveness has been underscored by its exposure to some counter-cyclical areas such as litigation, insolvency and business restructuring (contract redrafting, changes in workforce, asset disposals and balance sheet repair).

In addition, a portion of the Group's work is driven by structural or regulatory requirements — such as employment, regulatory compliance, restructuring, disputes, real estate and advisory work linked to corporate change — which tends to remain resilient across economic cycles.

We think that Gateley's organic revenue growth has also benefitted from structural trends and business opportunities beyond the economic cycle and below we set out some of the main current ones;

- **Taking share from traditional law firm partnerships;** the UK legal sector is fragmented and there are structural pressures on the traditional law firm partnership model. Gateley is a top 40 law firm with a nationwide presence and it has risen from 45th at IPO to 37th. We believe that AI will be a significant tool to improve productivity in legal and Gateley appears better resourced here than other law firms. Being listed has helped the Group take market share especially as it has raised its profile, allowed it to use equity to attract lawyers from other firms and to finance acquisitions and is seen by prospective clients as being in a much more stable financial position than many traditional law firm partnerships,
- **Size increasingly matters;** the legal sector is much more fragmented than the accountancy sector, where the Big Four dominate, but the legal sector is gradually consolidating. Increasingly larger clients are tending to award work to a short list of law firms who are on a 'panel', which is favouring larger law firms like the Group. For instance, the Group has mentioned taking an increasing share

of wallet from the 20 leading housebuilders. Investment requirements for technology are rising, especially in AI, which favours better resourced, larger firms like Gateley. We see the announcement, in March, that the Group has entered into an agreement to deploy Jylo as a significant development; accelerating and extending its use of AI, particularly as it will improve speed, consistency and insight whilst enabling its people to focus more of their time on higher-value, high-trust advisory work.

- **Consultancy's** growth has outpaced Legal services, rising from 7% of revenues in FY19 to 29% in H126. Consultancy has helped Legal services to take share by both winning more work with existing clients, for example on the Property Platform, Gateley's traditional legal work with housebuilders has been enhanced through adding chartered surveying and being a point of differentiation to traditional law firm partnerships who can only offer legal services,
- **Cross-selling;** is a current focus. We think having built up a diverse business, especially through the acquisitive growth of Consultancy, there are now lots of opportunities to better cross-sell. In FY25, Gateley introduced a new management account metric to help measure the value of cross-sell activity, which has been further developed for FY26 and will give a full year measure, against which cross-selling can be incentivised and rewarded. To further stimulate cross-selling, improve inter-Platform connectivity and hone performance management, FY26 will see the Group implement a new Platform management structure, with each Platform operated through a Board on which each business units will be represented, reporting into a chairperson responsible for the Platform's strategic, operational and financial outturn,
- **Class actions;** Austen Hays launched its first, ongoing, case in February 2024 and it is researching others. We believe that class action cases have the potential to generate significant returns. The impact of the funding of class actions on the Group's balance sheet will be mitigated to an extent as it has in place a litigation funding facility for an initial £20m of funding towards significant litigation cases, which has the ability to increase to £50m if required, although to date it has not yet utilised this facility. We do not forecast any returns from class actions so this could be material upside,
- **Complex International Dispute Resolution;** was established in FY23 and grew by 50% in FY25 with good momentum into FY26.
 - **Dubai;** although the Group is a UK-based law firm, with 20 offices across the UK, it has a number of international opportunities and we note that international revenues accounted for 7% of total in FY25 (Figure 38). The figure of 7% probably understates the Group's international presence as revenues are allocated to where a client is based, and it may work on international projects for a client based in the UK. Gateley also maintains informal, non-exclusive, relationships with a number of law firms (30+) around the world, enabling it to provide clients access to a global legal solution. In the last year, the Group invested further in its services to target markets in the Middle East from the Dubai base, where it recruited a team of highly regarded corporate lawyers, the leader of which now heads Gateley's activities in the region.

Figure 38: Gateley's revenue by region (FY25)

Region	Revenue (£'000)	Proportion (%)
UK	167,803	93
Europe	5,402	3
North and South America	1,871	1
Asia	2,352	1
Middle East	1,205	1
Other	866	0
Total	179,499	100

Source: Company, h2Radnor

Group revenue – main developments

FY24

In FY24, Gateley reported 6.0% revenue growth, comprised of 2.8% organic growth and 3.2% acquisition growth. Activity levels, which represent an average of the total hours billed as a percentage of total available hours for each employee, reduced from the 89% of FY23 to 83%, below the target of 85%.

Consultancy grew revenues by 19.4%, of which organic growth was 9.1%, and rose from 25.7% of Group revenues in FY24 to 28.9% in FY25. Legal services saw 1.4% revenue growth, of which organic growth was 0.8%, with revenues declining from 74.3% of Group revenues in FY23 to 71.1% in FY24.

FY25

In FY25, Gateley delivered a solid performance reporting 4.1% revenue growth, comprised of 2.8% organic growth and 1.3% acquisition growth. In H125, the Group reported 3.2% organic revenue growth. Gateley's H225 revenue rose by 2.9%, which we assume was all organic. Organic revenue growth was led by the 14.3% growth of the Business Services Platform.

We contend that 2.8% organic revenue growth was particularly impressive given a subdued UK economic backdrop, punctuated by two periods of business uncertainty in the run up to the General Election in July and the Autumn Budget in October and geopolitical uncertainty at the start of 2024.

Performance was helped by some of the Group's more counter-cyclical or economically agnostic business lines, for example strong growth from a number of specialist consultancy practices in the property sector; in contrast to ongoing challenging market conditions in most commercial real estate sectors.

Organic growth benefitted from good returns from historic investments made in areas such as complex international dispute resolution and two of Gateley's specialist property consultancy businesses. The Group also saw strong transactional activity across both its corporate transactional teams and market-leading housebuilding and construction teams.

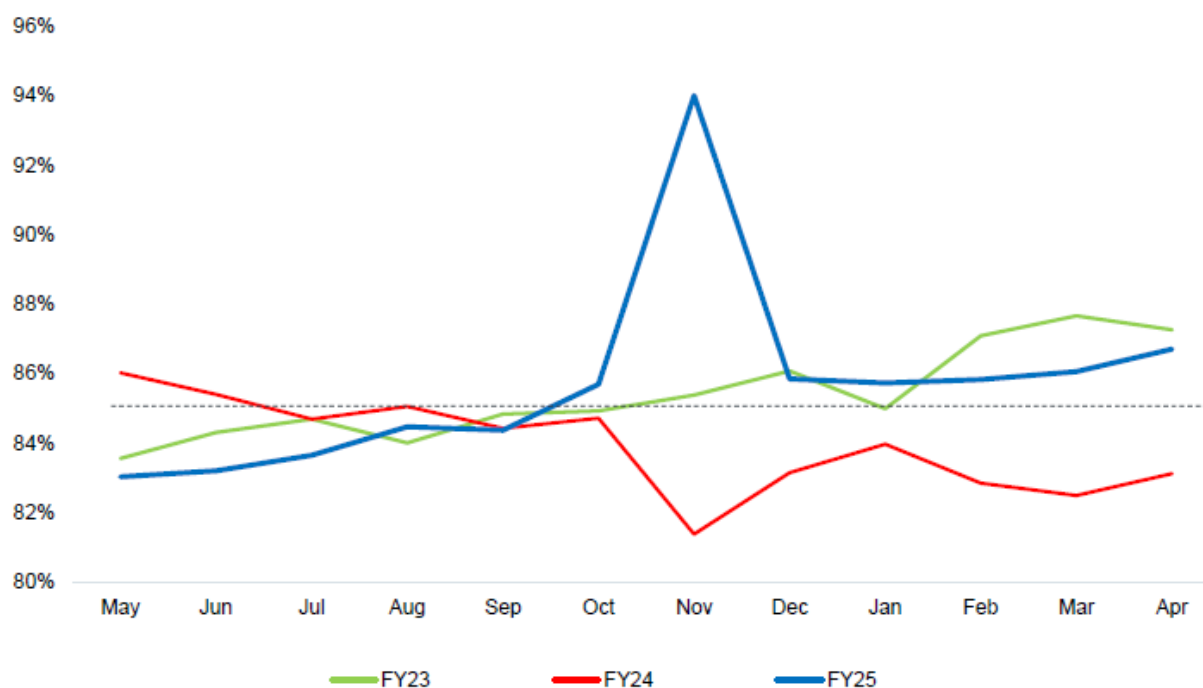
Organic revenue growth of 2.8% was comprised of 3.9% in Legal services, whilst Consultancy was flat, although the inclusion of the RJA acquisition meant that Consultancy rose from 28.9% of Group revenues in FY24 to 29.0% in FY25.

An increase in overall activity levels from 83% to 87% also underpinned organic revenue growth (Figure 39). Activity levels had risen from 83% in H124 to 88% in H125, which

given FY25 activity levels of 87%, suggests H125 activity levels of 86%, a slight moderation on H125 which is logical given the Q2 spike in activity ahead of the Budget.

Management said that the spike in pre-Budget activity did not create new revenue, rather it pulled forward revenue from H2 e.g. a vendor bringing forward a sale by a few months, which we thought was reassuring to hear as it means that FY26 does not have a tougher comparable.

Figure 39: Gateley's rolling 12 month utilisation



Source: Company, h2Radnor

It is interesting that the increased in activity levels did not cause an organic growth acceleration. One factor will have been that it takes time for increases in activity levels to translate in fees, which bodes well for FY26 and which may underpin the reasonably upbeat management outlook in the FY25 results. Also, management have flagged the structural issue that Gateley does not yet fully convert lawyer's time into fees, one of the three margin improvement areas. Plus, the rise in activity levels will have been boosted by the 0.2% reduction in average professional staff headcount, as greater returns were generated from a slightly smaller staff base, albeit benefitting the margin.

Encouragingly, in FY25, activity levels increased across all four Platforms as demonstrated by the table below (Figure 40). People showed the greatest increase in activity levels, despite the fact that that it was the only Platform to record an organic revenue decline in FY25, and we believe that this reflects the reduction in headcount as a result of the re-focus of its private client team, with fewer employees but higher revenue per employee.

Figure 40: Gateley's rolling 12 month utilisation – by Platform

April year end Activity levels by Platform	Business Services	Corporate	People	Property	Total
FY25	80	86	92	89	87
FY24	78	80	75	88	83
FY23	84	83	76	95	89
Change FY24 to FY25	3	8	23	1	5
Change FY23 to FY25	(5)	4	21	(6)	(2)

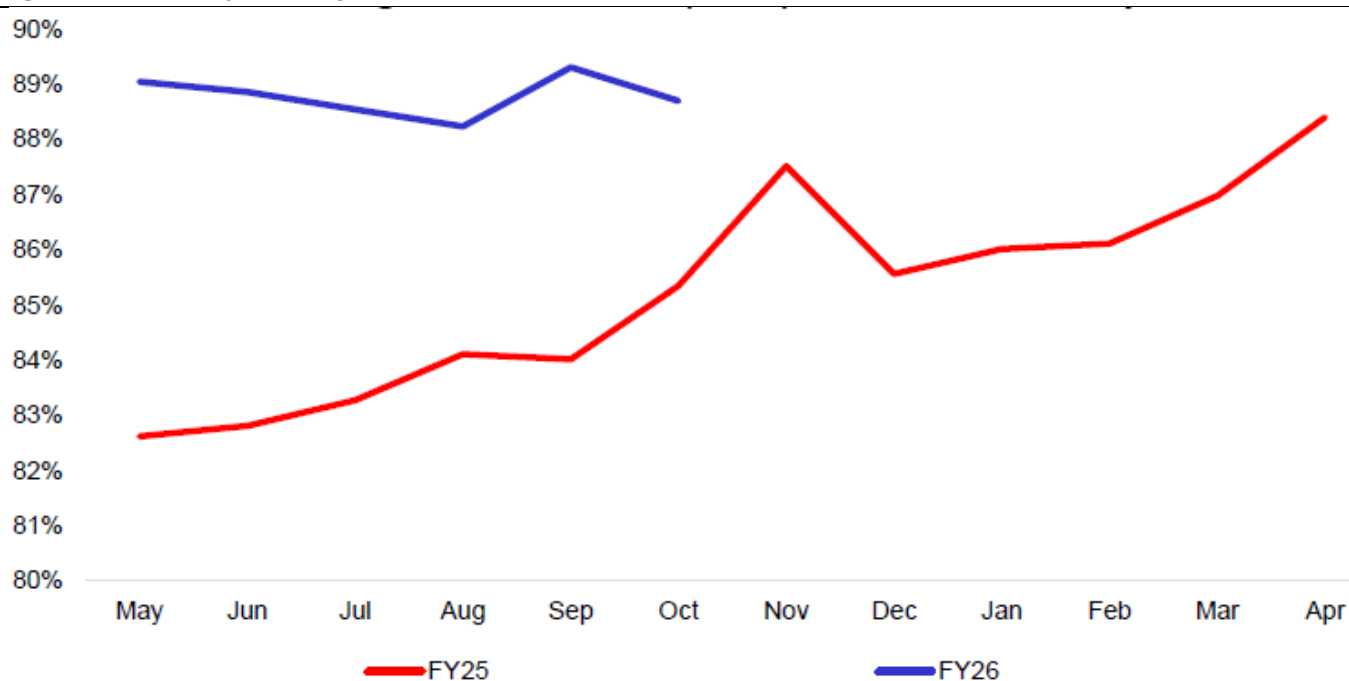
Source: Company, h2Radnor

H126

In H126, Gateley saw an acceleration in revenue growth to 9.3% of which 8.6% was organic growth and 0.7% was from acquisitions, from the purchase of GWW in September. Organic revenue growth was led by the 14.3% growth of the Property Platform.

Management said that the two main factors which boosted organic revenue growth were firstly the pricing initiative which led Gateley to raise fees more in line with peers and secondly an acceleration in returns from investments made in recent years e.g. in people for the legal services Residential Development and Construction teams, which we believe validates the current programme of deliberate investments.

Transactional activity decreased significantly in the latter part of Q2 26, and against a strong comparative in H1 25, due to the timing of the Autumn Budgets over the respective reporting periods. Management said that they expected delayed transactional activity from Q2 26 to normalise across the remainder of the year, albeit we think this will not have occurred until the start of 2026 as people return from the Christmas holiday.

Figure 41: Gateley's rolling 12 month utilisation

Source: Company, h2Radnor

Activity levels rose from 88% in H125 to 89% in H126 but October's legal services activity levels reduced from 107% in H125 to 92% in H126 due the Budget (Figure 41). Business Services saw the greatest proportion increase in activity, partly reflecting its more counter-cyclical businesses such as dispute resolution services (Figure 42).

Figure 42: Gateley's rolling 12 month utilisation – by Platform

April year end Activity levels by Platform	Business Services	Corporate	People	Property	Total
H126	84	77	81	94	89
H125	80	89	93	90	88
Change H125 to H126	5	(13)	(13)	4	1

Source: Company, h2Radnor

Performance was helped by some of the Group's more counter-cyclical or economically agnostic business lines, for example strong growth from a number of specialist consultancy practices in the property sector; in contrast to ongoing challenging market conditions in most commercial real estate sectors.

Organic growth benefitted from good returns from historic investments made in areas such as complex international dispute resolution and two of Gateley's specialist property consultancy businesses. The Group also saw strong transactional activity across both its corporate transactional teams and market-leading housebuilding and construction teams.

Margin

Gateley reports three margins, a contribution margin from the Platforms, which excludes central costs, then an underlying operating margin and then an underlying PBT margin (Figure 43). The Group's customer base is diffuse, with more than 10k clients, none of which account for more than 3% of revenue, which we think helps pricing.

There are two ways to model Gateley's financials, we forecast the four Platforms and then the non-Platform central costs, as we like the revenue granularity this offers. Or one can model the revenue and Group costs as a whole, which would be more interesting for forecasting costs.

The Group's underlying operating profit margin rose to a peak of 18.2% in FY17 but then declined each year to 11.7% in FY24, a level which was maintained in FY25. We forecast an improvement in the margin to 12.8% in FY28, which may be conservative given management's goal of no less than 13.5% in the near-term.

The decline in Gateley's underlying PBT margin was less, from 17.9% in FY17 to 13.0% in FY25, as it benefitted from both the rise in interest rates and net cash. We forecast an improvement in the underlying PBT margin to 13.1% in FY28, less than the improvement for the underlying operating profit margin as Gateley now has net debt.

Figure 43: Gateley's contribution margin, underlying operating profit margin and underlying PBT margin

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Contribution	24.4	28.3	32.3	34.9	42.9	47.4	50.0	51.6	56.3	60.5	61.9	65.2	69.1	72.9
Margin	40.2%	42.3%	41.6%	40.5%	41.4%	43.2%	41.2%	37.6%	34.6%	35.1%	34.5%	34.4%	35.0%	35.6%
Underlying operating profit	10.4	12.1	14.1	15.5	18.0	18.7	20.5	22.5	25.0	20.3	20.9	22.5	24.3	26.1
Margin	17.2%	18.1%	18.2%	18.1%	17.4%	17.0%	16.9%	16.4%	15.4%	11.7%	11.7%	11.8%	12.3%	12.8%
Growth	40.3%	16.0%	16.4%	10.2%	15.7%	3.7%	10.0%	9.7%	10.9%	(18.9%)	3.3%	7.3%	8.2%	7.4%
Underlying PBT	10.5	11.9	13.9	15.4	18.1	18.1	19.3	21.6	25.1	23.0	23.3	23.7	25.0	26.9
Margin	17.2%	17.7%	17.9%	17.9%	17.5%	16.4%	15.9%	15.7%	15.4%	13.4%	13.0%	12.5%	12.7%	13.1%
Growth	41.3%	13.3%	17.0%	10.5%	17.6%	(0.1%)	7.1%	11.5%	16.2%	(8.1%)	1.2%	1.5%	5.7%	7.6%

Source: Company, h2Radnor

The main drag on underlying operating profit margin in recent years was post-Covid wage inflation. Personnel costs (excluding IFRS 2) are the Group's main cost and it aims for these to be within 60-65% of revenues (Figure 44). Gateley's underlying operating profit margin peaked at 18.2% in FY17, when personnel costs were 58.3% of revenue, and had declined to 11.7% in FY25, when personnel costs were 62.4% of revenue.

Figure 44: Gateley's underlying costs

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Underlying costs (£m)											
Revenue	60.9	67.1	77.6	86.1	103.5	109.8	121.4	137.2	162.7	172.5	179.5
Other operating income	0.4	0.4	0.4	0.4	0.3	0.7	2.5	0.0	0.0	0.2	0.2
Personnel costs, excluding IFRS 2 charge	(35.6)	(38.8)	(45.2)	(51.9)	(62.8)	(63.5)	(77.5)	(86.5)	(96.8)	(108.5)	(112.1)
Depreciation - Property, plant and equipment	(0.8)	(0.7)	(0.8)	(1.0)	(1.1)	(1.1)	(1.0)	(0.9)	(0.9)	(1.1)	(1.3)
Depreciation - Right-to-use asset						(3.5)	(3.8)	(3.8)	(4.0)	(3.9)	(4.0)
Impairment of trade receivables and contract assets					(1.3)	(0.6)	(1.8)	(0.9)	(1.3)	(0.6)	(1.7)
Other operating expenses	(14.4)	(15.9)	(17.9)	(18.0)	(20.6)	(23.1)	(19.2)	(22.7)	(34.7)	(38.2)	(39.7)
Total	(50.4)	(54.9)	(63.5)	(70.5)	(85.5)	(91.2)	(100.8)	(114.7)	(137.7)	(152.2)	(158.6)
Underlying operating profit	10.4	12.1	14.1	15.5	18.0	18.7	20.5	22.5	25.0	20.3	20.9
Proportion of revenue											
Other operating income	0.6%	0.7%	0.6%	0.4%	0.3%	0.6%	2.0%	0.0%	0.0%	0.1%	0.1%
Personnel costs, excluding IFRS 2 charge	(58.5%)	(57.9%)	(58.3%)	(60.3%)	(60.7%)	(57.8%)	(63.8%)	(63.0%)	(59.5%)	(62.9%)	(62.4%)
Depreciation - Property, plant and equipment	(1.4%)	(1.0%)	(1.1%)	(1.1%)	(1.1%)	(1.0%)	(0.9%)	(0.6%)	(0.6%)	(0.7%)	(0.7%)
Depreciation - Right-to-use asset						(3.1%)	(3.1%)	(2.8%)	(2.4%)	(2.3%)	(2.2%)
Impairment of trade receivables and contract assets					(1.3%)	(0.6%)	(1.5%)	(0.6%)	(0.8%)	(0.3%)	(0.9%)
Other operating expenses	(23.7%)	(23.7%)	(23.0%)	(20.9%)	(19.9%)	(21.1%)	(15.8%)	(16.6%)	(21.4%)	(22.2%)	(22.1%)
Other operating expenses (excluding depreciation)	(23.7%)	(23.7%)	(23.0%)	(20.9%)	(21.2%)	(21.6%)	(17.3%)	(17.2%)	(22.2%)	(22.5%)	(23.1%)

Source: Company, h2Radnor

Wage inflation in the UK legal sector accelerated post the pandemic, possibly as a result of paused hiring during the Covid period compounded by a very strong rebound in the immediate post-Covid period as delayed transactions and other changes drove an exceptional demand. Plus, wage inflation was exacerbated by US-based firms expanding their UK operations, especially in London, partly by out-bidding on salaries.

Although Gateley is more a regional-focussed than a London-focussed law firm, we argue that being a top 40 firm means that it will have seen some impact from industry churn. High wage inflation in London is likely to have rippled through to secondary cities like Birmingham and Manchester, where the Group has a larger presence. Adjustment of law firm operating models to more readily accommodate remote working post-Covid has also reduced regional variances in wage costs, as good lawyers have greater flexibility to base themselves and work from wherever they want.

When comparing the margins of the quoted legal sector, it is best to focus on underlying PBT as Gateley and Keystone include interest from clients' cash balanced in their interest income, whereas Knights includes it with EBITA.

Whereas Gateley has seen a reduction in its PBT margin over the last four years, Keystone and Knights have seen an increase which we think reflects the greater proportion of Knights work which supports secondary and tertiary markets (with

consequent lower servicing cost) and, in Keystone's case, the fact that their lawyers are effectively self-employed (Figure 45). On the positive side, the reduction in Gateley's margin coupled with the investments Gateley has been making to address the same, may mean there is now more upside to its margin than at Keystone and Knights.

Figure 45: Quoted law firms's underlying EBITA margin and underlying PBT margin

Company	Year end	FY22		FY23		FY24		FY25	
		EBITA margin (%)	PBT margin (%)	EBITA margin (%)	PBT margin (%)	EBITA margin (%)	PBT margin (%)	EBITA margin (%)	PBT margin (%)
Gateley	April	16.4	15.7	15.4	15.4	11.7	13.4	11.7	13.0
Keystone	January	12.6	12.5	12.0	12.1	11.8	12.8	11.9	13.0
Knights	April	16.3	14.4	16.7	15.2	19.1	16.9	n/a	17.3

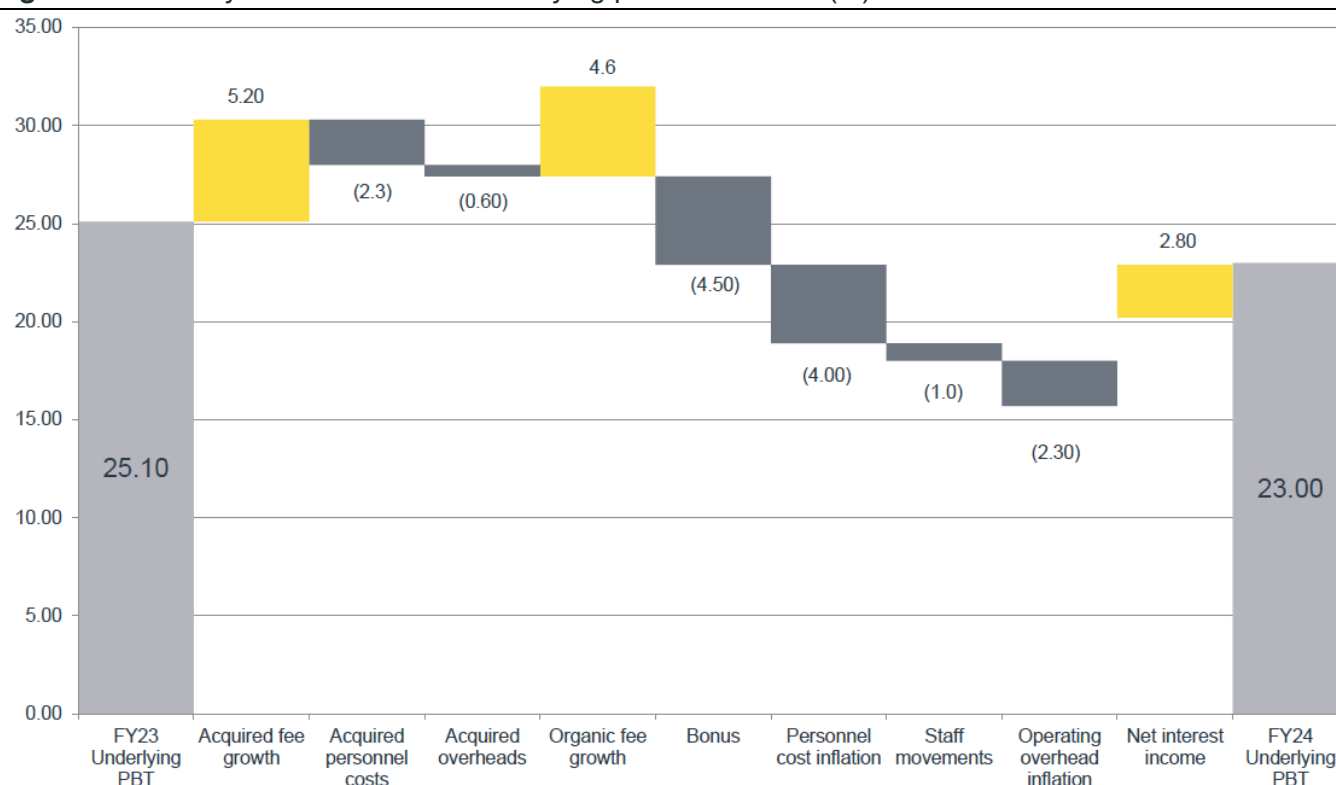
Source: Company, h2Radnor

FY24

The Group's underlying operating profit margin decreased from 15.4% in FY23 to 11.7% in FY24, mainly due to an increase in personnel costs as a percentage of revenue from 59.5% in FY23 to 62.9% in FY25. The main reason for the increase in personnel costs was the reinstatement of employee bonuses at a cost of £4.5m (equivalent to 2.6% of FY24 revenues), having not paid any bonus in FY23 (Figure 46).

Pre-bonus, the underlying operating profit margin decreased from 15.4% in FY23 to 14.4% in FY24 due to salary and other cost inflation and ongoing organic (especially in AI and class action claims) and acquisitive investment and we note that 'personnel cost inflation' had a £4m impact on profit.

Reduced activity levels meant that, a number of key areas of the Group were unable to pass on market-driven staff cost increases and lead generation was extremely competitive.

Figure 46: Gateley's FY24 moves in underlying profit before tax (%)

Source: Company (slide 17 of the FY24 presentation), h2Radnor

FY25

The underlying operating profit margin was maintained in FY25 at 11.7%, which management said reflected good control of salary and other cost inflation whilst continuing to invest. Management added that current internal margin initiatives were already beginning to have an impact. The margin had been maintained at 10.5% in H124 and H125 but declined from 12.9% in H224 to 12.7% in H225 and we think that the greater weighting to H1 reflected the October budget which pulled some volume into the first half.

Personnel costs as a percentage of revenue reduced from 62.9% in FY24 to 62.4% in FY25, with wage inflation in the legal sector but this now appears to be moderating with the results saying that “there are tangible signs that this inflation may now be tempering”. Productivity also improved with 4.1% revenue growth but only a 2.3% increase in average total headcount and within that a 0.2% decline in average professional staff headcount, the first time this figure has reduced since IPO, which may indicate a tougher approach by management towards cost cutting. Management said that a bonus had been paid but they did not give the amount, whereas they had disclosed the amount in FY24.

Other operating expenses (excluding depreciation) increased from 22.5% in FY24 to 23.1% in FY25, due mainly to the investment in IT systems, ancillary, costs overheads relating to higher overall employee numbers, and inflationary cost rises. On the positive side, there was further property rationalisation with the surrender of the Group's lease for office space in Leicester as part of the consolidation of some teams in the East Midlands to its Nottingham office; taking the number of its offices down to 21. In our

opinion agile working could free up further office space to be rationalised, with Gateley's staff allowed to work virtually two days per week.

H126

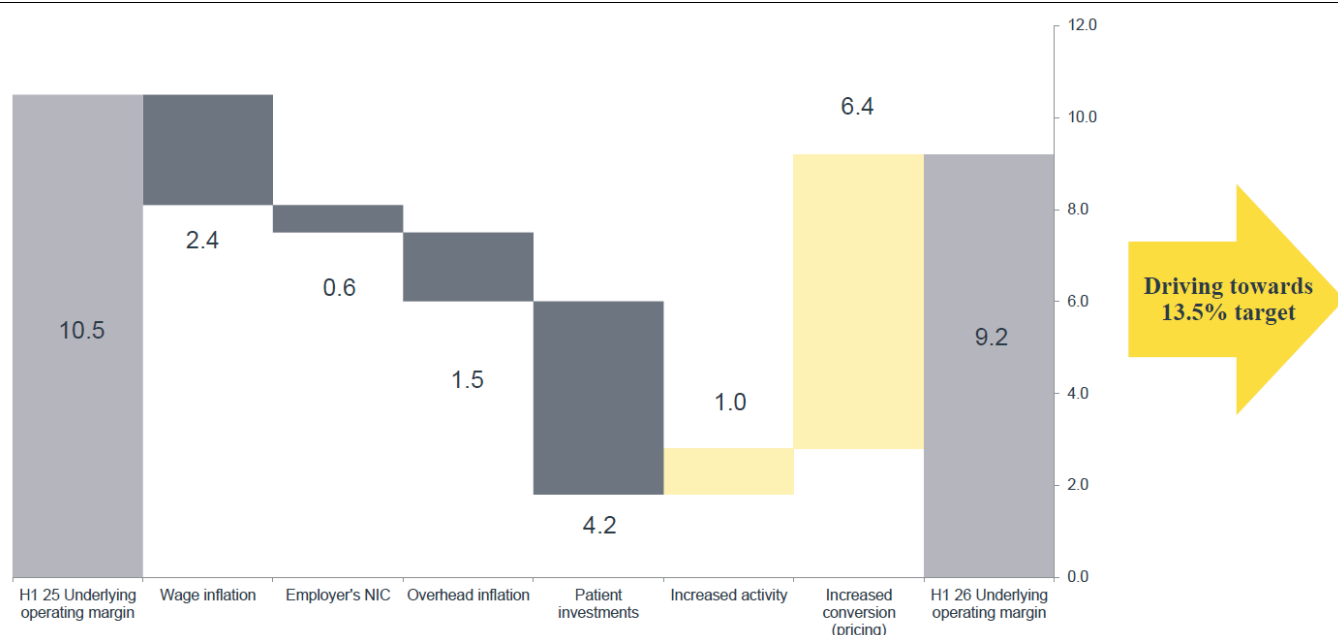
The underlying operating profit margin declined from 10.5% in H125 to 9.2% in H126 primarily as a result of ongoing investment (especially in Complex International Dispute Resolution and Class Actions) and also the timing impact of the Budget.

Investments reduced the margin by 4.2%, albeit we now expect this to reduce in H2 as the level of spend lessens and some of the investments are expected to generate positive returns (Figure 47). Wage inflation reduced the margin by 2.4%, albeit the pace of inflation moderated compared to prior periods.

Positively, increased pricing/conversion, which has been a focus of the business, added 6.4% onto the margin and we expect the annualised impact of that to benefit H2 too.

Not included in the graph below is that the Budget had a £3m impact on revenue which reduced the margin by another 0.7% and we expect most of this to reverse in H2 as activity delayed in H1 shifts to later in the year.

Figure 47: Gateley's H126 underlying operating profit margin movements (%)



Source: Company (slide 6 of the H125 presentation), h2Radnor

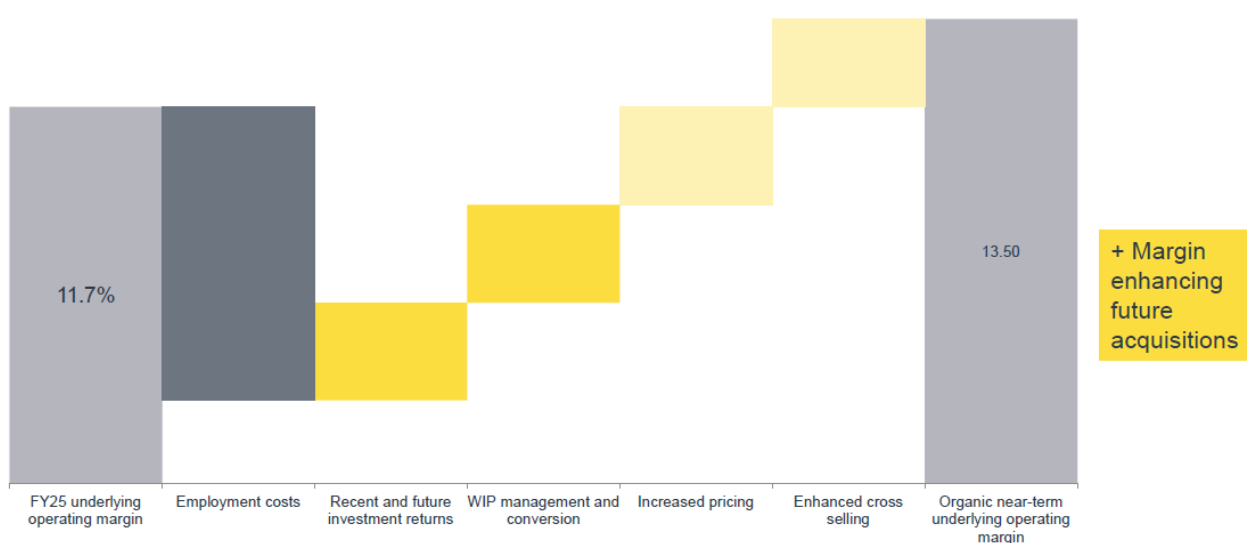
Personnel costs (excluding the IFRS 2 charge) increased as a percentage of revenue from 63.4% in H125 to 64.1% in H126 due to wage inflation and the changes to National Insurance contributions announced in the FY25 Autumn Budget. Average numbers of legal and professional staff decreased by 1.8% from 1,081 in H125 to 1,062 in H126 following a review of underutilised areas of the business at the end of FY25 and we think this will have an annualised benefit to costs in H2.

Other operating expenses (excluding non-underlying items) decreased from 22.1% in H125 to 23.1% in H126, due mainly to the investment in systems, ancillary people cost and expansion in Dubai; all part of the programme of investment.

Near-term margin

At the H125 results meeting, management unveiled a margin improvement bridge with the goal of “in the near-term, our operational focus is on driving organic revenues and realising efficiencies to improve underlying operating profit margin to not less than 13.5%”, with stylised blocks indicating where the main improvement would come from (Figure 48).

Figure 48: Gateley’s FY25 underlying operating profit margin movements (%)



Source: Company (slide 18 of the FY25 presentation), h2Radnor

In our opinion, restoring the margin to at least 13.5% looks achievable, especially given it was as high as 18.2% in FY17, albeit since then the labour market has tightened. Plus, the three margin initiatives around pricing, fee conversion and cross-selling should be very additive to the margin as they involve adding very little/no new costs and increasing pricing falls straight through to profit.

Key components in the Group's margin improvement bridge include;

1. Pricing;
2. WIP management and conversion into fees; and
3. Enhanced cross-selling.

Some of the upside from the margin initiatives may stem from the fact that Gateley continues to transition from the legacy of the partnership model as in a traditional law firm partnership, partners may be overly focussed on their own performance (and profit share) vs the firm as a whole and for example may want to keep a client at the expense of increasing fees which may result in some client losses or have less incentive to assist other parts of the firm through cross-selling. As such, we believe that as Gateley

continues on this journey it is again much better positioned than traditional law firm partnerships.

In the FY25 results announcement, the Group said that it had undertaken a comprehensive review of relevant market data and as a result, all the Platforms have been challenged with positive resets against this data which indicates that it can and should make improvements against each of these areas.

Management set out at the FY25 results an update on the three main components of the margin improvement bridge;

1. Pricing

In pricing, WIP management and conversion into fees, market intelligence is telling us that, taken as a whole, when benchmarked against our competitors, we have headroom to grow into, while attracting and retaining clients. Current initiatives to help facilitate improvement include, in Gateley's words:

- “we have recently completed training across all the senior leaders in our legal services business by the sector's leading pricing and revenue management consultancy”; and
- “we have invested in the market-leading pricing and revenue management software, which will be operational by H2 FY26 and will enable us to better price and monitor client engagements”.

2. WIP management and conversion into fees

“For those parts of the Group that record time, our WIP to fees conversion rate was 81% in FY25 (FY24: 82%). Each 1% improvement in conversion generates circa £2.0m of additional fees and this is therefore a key focus for us in FY26”.

3. Enhanced cross-selling

“In cross-selling, we believe that we have significant headroom in offering our unique combination of complementary legal and consultancy services, as showcased at our recent senior managers' conference, "Connecting for Growth". Part-way through FY25, we introduced a new management account metric to help measure the value of cross-sell activity. This metric has been further developed for FY26 and will give a full year measure, against which cross-selling can be incentivised and rewarded”.

“To further stimulate cross-selling, improve inter-Platform connectivity and hone performance management, FY26 will see us implement a new Platform management structure. Each Platform will now operate through a Board on which each business unit will be represented, reporting into a chairperson responsible for the Platform's strategic, operational and financial outturn. This structure will bring our related businesses closer together to realise external opportunities and internal objectives”.

Recent and future investment returns

Having carried the cost, in recent years, of system investment (especially AI) and deliberate investment (class actions, Dubai and Complex International Dispute Resolution) these investments should move from headwind to tailwind as they start to generate returns. Plus, we have not heard management mention any new major investments in systems or deliberate investment, aside from the recent announcement of investment in Jylo which is not a material cost.

In FY25, the Group invested £0.7m in systems and system development including further recruitment of specialists to its in-house AI development team (expanded to five developers), which is working on applications for use on each of the Platforms and for the business support teams. Gateley has established an AI cross-business steering group reporting directly to the Board on product assessment, procurement and integration. The Group's first internally designed AI application was for use by the residential development team on the Property Platform.

AI should increase the Group's client service levels and delivery efficiency and we think it is especially well suited to the high level of documentation and routine processes in the legal sector. AI is likely to reduce personnel costs/revenue, as in the first instance it will result in less need for support staff, part-qualified lawyers and junior lawyers. PwC's Law Firm Survey found that 11% of chargeable hours could be automated through AI tools. A risk could be if AI reduces cost then customers may demand lower fees. We see the adoption of Jylo as reinforcing a structured and governed approach to AI deployment, focused on improving quality, consistency and productivity rather than near-term cost displacement.

Positively, we note that the Group has steadily reduced the proportion of administrative staff, from 38% in FY12 to 32% in FY25 and we believe that AI will further accelerate this trend which should benefit the margin (Figure 49).

Figure 49: Gateley's proportion of professional vs administrative headcount

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Average headcount											
Professional staff	62.8%	63.0%	65.7%	67.2%	67.3%	67.4%	69.2%	69.6%	69.5%	69.5%	67.9%
Administrative staff	37.2%	37.0%	34.3%	32.8%	32.7%	32.6%	30.8%	30.4%	30.5%	30.5%	32.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company, h2Radnor

Employment costs

On the negative side, employment costs are likely to rise. National Insurance contributions in FY26 are expected to rise by £1.8m, equivalent to 0.9% of our FY26 revenue estimate. We also think it likely that legal sector wage inflation will continue to outpace fee inflation in the near-term, albeit it seems to be moderating from the very high levels post the pandemic. On the positive side, there should be an annualised cost benefit from FY25's reduction in average professional staff headcount.

Consultancy

Although not mentioned on the near-term margin bridge, we contend that another, small, headwind could be the mix effect from the slightly lower margin of Consultancy vs Legal services given that the former is likely to continue to grow faster; albeit absolute profit will benefit from this higher growth.

Cost reductions

Another factor not included in the bridge, is cost reductions which should benefit the margin. Management have highlighted agile working, new business management systems and premises usage as areas of cost savings.

Acquisitions

Gateley has said that acquisitions should further enhance the margin target, although we have a mixed view on this as the absorption of each acquisition, integration and system costs may sometimes impact its margin in the short term, plus it often buys

companies where it seeks to enhance performance so the initial margin may be lower than it will eventually reach; albeit over time we feel that it enhances the margin of all the businesses that it purchases.

EPS growth

Gateley's revenue CAGR since IPO was 11.4% (Figure 50). The Group's underlying operating profit CAGR was 7.2%, pulled down primarily by wage inflation impacting the margin but the underlying PBT CAGR was better at 8.3%, benefitting from higher net interest, due to the net cash position and higher interest rates. The underlying diluted EPS CAGR was 4.9%, lower than the 8.0% CAGR of underlying earnings because of the issue of shares for acquisitions and employee rewards.

Figure 50: Gateley's financial CAGR

April year end	FY15	FY25	CAGR
Revenue	60.9	179.5	11.4%
Contribution	24.4	61.9	9.7%
Underlying operating profit	10.4	20.9	7.2%
Underlying PBT	10.5	23.3	8.3%
Underlying earnings	8.3	17.8	8.0%
Underlying diluted EPS (p)	8.3	13.3	4.9%

Source: Company, h2Radnor

Due to a mixture of shares issued for acquisitions and for employee rewards, the Group's share count rose by 27% since IPO (Figure 51). Gateley has said that acquisitions collectively were earnings accretive and therefore, over time, we would expect the extra earnings added to cover the extra shares issued.

Figure 51: Gateley's share count (m)

April year end	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Opening share count	105.3	106.4	106.9	106.9	110.9	117.6	117.9	124.6	126.6	133.0
<u>Acquisition consideration</u>										
RJA									1.2	0.3
GSP							3.3		1.7	
Symbiosis IP								0.5		
Tozer Gallagher							0.1	0.0		
Adamson Jones							0.5			
Purslow						0.2				
Persona					0.1					
T-Three					0.9					
Kiddy & Partners				0.3	0.4					
Tweed					0.5					
Vinden					1.6					
GCL				1.2						
Hamer		0.5		0.1						
Capitus	1.1									
Sub-total	1.1	0.5	0.0	1.6	3.6	0.2	4.0	0.5	2.9	0.3
<u>Reward vesting</u>										
SARS				2.4	1.6					
RSA							1.5	1.2	0.8	
SAYE					0.8	0.1	0.3	0.4	1.6	0.2
LTIP									0.7	
CSOPS					0.7		0.9		0.4	0.2
Sub-total	0.0	0.0	0.0	2.4	3.2	0.1	2.6	1.5	3.5	0.4
At 30 April	106.4	106.9	106.9	110.9	117.6	117.9	124.6	126.6	133.0	133.7

Source: Company, h2Radnor

The 27% increase in Gateley's share count since IPO, was split 14% due to acquisitions and 13% due to employee rewards (Figure 52). Employee rewards commenced in FY19, a number of years post IPO which makes sense as vesting will have been linked to factors such as share price and financial performance.

Figure 52: Gateley's cumulative increase in share count

April year end	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Cumulative total (m)										
Acquisitions	1.1	1.6	1.6	3.2	6.7	6.9	10.9	11.5	14.3	14.6
Reward vesting	0.0	0.0	0.0	2.4	5.6	5.7	8.4	9.9	13.4	13.8
Total	1.1	1.6	1.6	5.6	12.3	12.6	19.3	21.4	27.8	28.4
Proportion of opening share count										
Acquisitions	1%	2%	2%	3%	6%	7%	10%	11%	14%	14%
Reward vesting	0%	0%	0%	2%	5%	5%	8%	9%	13%	13%
Total	1%	2%	2%	5%	12%	12%	18%	20%	26%	27%

Source: Company, h2Radnor

Balance Sheet and Cash Flow

Net cash/net debt

For most of the post-IPO period, the Group had either a net cash position or very low net debt levels (Figure 53). In FY25, Gateley's ended with net debt of £6.6m and this rose to £19.6m at the end of H126, with the switch from net cash to net debt driven primarily by acquisition consideration payments, working capital movements and EBT share purchases to facilitate recirculation of internally held equity to incentivise current and future senior staff.

Figure 53: Gateley's net cash/debt (£m)

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	H125	FY25	H126	FY26	FY27	FY28
Net cash (debt)	(7.8)	(4.2)	(4.8)	(0.7)	(3.2)	(0.9)	19.6	10.4	4.3	3.8	1.2	(6.6)	(19.6)	(19.1)	(17.5)	(17.1)
Net debt/EBITDA (x)	0.7	0.3	0.3	0.0	0.2	0.0	n/a	n/a	n/a	n/a	n/a	0.2	n/a	0.7	0.6	0.5

Source: Company, h2Radnor

We forecast a net debt position over the next three years, as although the core business remains cash generative we feel that Gateley will use the current low share price valuation, and potential share sales from IPO Partners, to top up the EBT, especially as the low share price means that there will probably be fewer RSA share awards. Given the resilience of revenues, we believe that the Group can easily support more debt, especially if it makes acquisitions.

In April 2025, Gateley signed a new revolving credit facility (RCF) for £80m until April 2028 with options to extend this to April 2030 split equally between Bank of Scotland, HSBC UK, Barclays and NatWest. Bank of Scotland and HSBC were the Group's existing banks and we thought it encouraging that the Group added Barclays and NatWest to its list of banks. The facility, a material expansion on the previous £30m, also features an uncommitted accordion option for a further £20m and was coordinated by Bank of Scotland. The new RCF is at lower interest rates than the previous facility, which we thought was encouraging given the rise in interest rates since the previous RCF was signed in 2022.

Management said that "the facility will provide us with additional headroom and flexibility to continue with our stated strategy to grow organically and through acquisitions, further diversifying the Group's business". Gateley increased its use of the RCF from £13m in FY24 to £19m in FY25. Interest is payable on the loan at a margin of 1.25% above the SONIA reference rate (which is currently 4.22%).

The Group also has in place a litigation funding facility for an initial £20m of funding towards significant litigation cases, which has the ability to increase to £50m if required. To date the Group has not yet utilised this facility but has a number of large assignments currently being assessed for consideration in FY25.

Capital allocation

In our view, since IPO Gateley has allocated capital wisely, increasing the dividend, making acquisitions to build a £52m revenue Consulting business and investing in areas such as lateral hires, systems and the Dubai office. All returns have to be weighed against the Group's cost of capital. If Gateley wins its first, class action case, and subsequent ones, then it is likely to receive a large cash sum, which it can further deploy.

The Group's capital allocation policy is focused on investing for sustainable long-term growth while maintaining balance-sheet discipline and progressive returns to shareholders. Priority is given to investment in the business, both organically —

including people, systems and capabilities — and through selective, strategically aligned acquisitions. Alongside this, the Group seeks to maintain a strong financial position and dividend policy, while retaining flexibility to support future growth opportunities.

Free cash flow

Market definitions of free cash flow vary widely; we exclude acquisitions and dividends but include share purchases as we believe that expanding the EBT is a cost of business in that it is important for retaining and attracting employees. We exclude ‘exceptional costs’ such as acquisition related or reorganisation.

It is encouraging that the Group has consistently generated free cash each year (Figure 54). Free cash flow declined from £15.9m in FY24 to £5.1m in FY25, mainly due to the £7.3m increase in working capital outflow, which itself primarily related to the restoration of bonus payments, and now this has occurred we model an improvement in free cash.

Figure 54: Gateley’s free cash (£m)

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Free cash	7.6	14.1	6.0	11.2	9.7	12.5	20.5	8.2	6.4	15.9	5.1	11.9	17.0	16.2

Source: Company, h2Radnor

Working capital

Gateley usually has a working capital outflow mainly due to both its record of continual organic revenue growth, as growth requires some working capital, and M&A as it takes time to improve the working capital of acquisitions (Figure 55).

Figure 55: Gateley’s working capital (£m)

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Receivables	(2.7)	(1.4)	(5.0)	(2.3)	(3.9)	(1.7)	(5.3)	(10.3)	(6.9)	(10.7)	(2.3)	(4.4)	(4.7)	(6.5)
Receivables/revenue	(4.5%)	(2.1%)	(6.5%)	(2.7%)	(3.8%)	(1.6%)	(4.4%)	(7.5%)	(4.3%)	(6.2%)	(1.3%)	(2.3%)	(2.4%)	(3.2%)
Payables	(0.2)	4.6	0.6	0.9	0.0	(5.3)	9.2	0.8	(7.3)	8.6	(7.0)	(1.5)	6.1	5.9
Payables/revenue	(0.3%)	6.9%	0.8%	1.0%	0.0%	(4.8%)	7.6%	0.6%	(4.5%)	5.0%	(3.9%)	(0.8%)	3.1%	2.9%
Total working capital	(2.9)	3.2	(4.4)	(1.5)	(3.9)	(7.0)	3.9	(9.5)	(14.2)	(2.0)	(9.3)	(5.9)	1.4	(0.6)
Working capital/revenue	(4.8%)	4.8%	(5.7%)	(1.7%)	(3.8%)	(6.4%)	3.2%	(6.9%)	(8.7%)	(1.2%)	(5.2%)	(3.1%)	0.7%	(0.3%)

Source: Company, h2Radnor

Gateley has two types of receivables; work in progress (WIP), which are amounts recoverable from clients that are unbilled and relate to the start of cases and trade receivables, where a client has been billed and it awaits payment (Figure 56). Together these two types of receivables can be calculated as WIP days and Debtor days which collectively are known as lock-up days, using annualised revenue which is slightly different to actual revenue as it includes the pro-forma revenue from acquisitions.

Figure 56: Gateley's working capital lock-up days

April year end	FY20	FY21	FY22	FY23	FY24	H125	FY25	H126
WIP days								
Amounts recoverable from clients (unbilled revenue)				20.4	23.5	29.9	24.9	32.2
Unbilled disbursements				3.4	5.4	5.8	3.5	5.5
Total WIP				23.8	28.9	35.6	28.4	37.7
Annualised revenue				163.6	173.3	181.7	179.5	189.1
WIP days	48	49	49	53	61	72	58	73
Debtor days								
Trade receivables				54.2	58.1	50.8	57.9	55.8
Less unbilled disbursements				(3.4)	(5.4)	(5.8)	(3.5)	(5.5)
Total debtors				50.8	52.7	45.1	54.3	50.3
Annualised revenue				163.6	173.3	181.7	179.5	189.1
Debtor days	103	104	113	113	111	91	110	97
Total days								
WIP	48	49	49	53	61	72	58	73
Debtor	103	104	113	113	111	91	110	97
Total	151	153	162	166	172	162	168	170

Source: Company, h2Radnor

In FY24, working capital/revenue improved from (8.7%) in FY23 to (1.2%) in FY24, due to the switch in payables/revenue from an outflow of 4.5% in FY23 to an inflow of 5.0% in FY24 due to the decision not to pay a bonus in FY23 (which was paid in FY24). In FY24, total lock-up increased from 166 to 172 days as a result of debtor days rising from 53 days to 61 days, which more than offset the reduction in WIP days from 113 days to 111 days, partly due to the impact of acquisitions.

In FY25, working capital/revenue rose from (1.2%) in FY24 to (5.2%) in FY25, due to the switch in payables/revenue from an inflow of 5.0% in FY24 to an outflow of (3.9%) in FY25 due to the resumption of the bonus in FY24 (which was paid in FY25). Now that the bonus has returned we would not expect this negative swing in payables/revenue to recur.

Positively, receivables/revenue improved from (6.2%) in FY24 to (1.3%) in FY25 as a consequence of total lock-up decreasing from 172 days to 168 days with both debtor days (from 61 days to 58 days) and WIP days (from 111 days to 110 days) improving. The improvement in lock-up days accelerated across the year, with a day's decrease in H1 and a four day decrease in the year as a whole. We thought that the improvement in lock-up days was particularly encouraging given the tough economic backdrop when some customers may have sought longer payment terms. Management said that they had made a good start to collections in FY26.

In H126, working capital/revenue rose from (7.3%) in H125 to (9.2%) in H126 due to the switch in receivables/revenue from an inflow of 4.2% in H125 to an outflow of (6.4%) in H126 as debt recovery slowed mainly as a result of client sentiment and actions felt as a result of the UK economy's loss of growth momentum in the run-in to the recent Autumn Budget. We model that working capital will improve in H226.

Total lock-up days rose from 162 in H125 to 170 in H126 due to the deterioration in receivables which meant that debtor days rose from 91 in H125 to 97 in H126. Positively, WIP days were almost stable rising from 72 days in H125 to 73 days in H126.

We feel that improving lock-up days (currently equating to nearly half a year) represents a major opportunity for the Group. We believe that some improvement in lock-up days will arise from the margin initiatives, especially WIP conversion and also pricing, given that as part of client discussions on price it may be that speedier payment terms are agreed. That said, some of Gateley's higher growth businesses such as Complex and

International Dispute Resolution probably have longer payment cycles, albeit this is balanced by higher margins.

Capex and leases

As a people-based business, the Group has a low capex requirement (Figure 57), albeit it does have leases costs, which are mainly office-related. Pre-2020 capex and depreciation were similar but the comparison nowadays is less relevant given depreciation on right of use assets.

Figure 57: Gateley's capex and leases

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Depreciation and amortisation/revenue	(1.4%)	(1.0%)	(1.1%)	(1.1%)	(1.1%)	(4.1%)	(4.0%)	(3.4%)	(3.2%)	(3.2%)	(3.2%)	(3.1%)	(3.1%)	(3.1%)
Capex on P,P and E	(1.3%)	(1.0%)	(1.9%)	(0.9%)	(1.0%)	(0.8%)	(0.4%)	(0.6%)	(0.8%)	(0.6%)	(0.9%)	(1.3%)	(1.0%)	(1.0%)
Capex on intangibles				(0.1%)	(0.3%)	(0.3%)	(0.0%)	(0.2%)	(0.5%)					

Source: Company, h2Radnor

Interest

Gateley has usually had a net interest inflow, reflecting its general record of net cash (Figure 58). Although, the Group moved to a net debt position in FY25, and we forecast net debt over the next three years, we model a net interest inflow as, like all law firms, it earns interest on client monies which it holds in an escrow account, for example, sums held during probate. Typically, Gateley holds between £100m and £150m of client monies, it receives interest from banks of typically 0.25% to 0.5% below the base rate and pays clients 1.5%.

Figure 58: Gateley's cash net interest (£m)

April year end	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Interest	0.0	(0.2)	(0.2)	(0.2)	0.1	0.1	(0.2)	0.0	1.4	4.0	3.5	1.2	0.7	0.8

Source: Company, h2Radnor

A risk could be that the UK's Ministry of Justice has proposed taking 75% of interest earned from pooled client accounts in law firms and 50% from individual client accounts to help strengthen the justice system. We note that in FY25, Gateley generated £4.8m of gross P&L interest income, which was equivalent to 20% of its PBT, albeit some of this will be earned from its own cash. No decision has yet been taken in relation to this issue which remains in consultation. Legal commentary suggests that law firm leaders are contemplating a number of countermeasures designed to mitigate the effect of this development, but given nothing is certain as of yet we are not aware of the fine detail of any such mitigation measures.

Tax

Gateley's underlying P&L tax rate rose in FY25, reflecting the increase in the headline rate of UK corporate tax to 25% (Figure 59).

Figure 59: Gateley's tax

April year end	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Underlying tax (P&L) (£m)	(2.5)	(3.1)	(3.0)	(3.3)	(3.7)	(3.7)	(3.8)	(4.1)	(4.3)	(5.5)	(5.6)	(6.0)	(6.6)
Underlying tax rate (P&L)	20.8%	22.0%	19.5%	18.3%	20.3%	19.3%	17.8%	16.5%	18.5%	23.5%	23.5%	24.0%	24.5%
Cash tax (£m)	(1.0)	(2.8)	(3.1)	(3.1)	(2.8)	(4.0)	(4.5)	(4.3)	(4.9)	(5.4)	(5.3)	(5.7)	(6.3)
Cash tax/P&L tax	40.8%	93.0%	102.0%	93.0%	75.6%	108.4%	116.9%	104.3%	114.7%	98.9%	95.0%	95.0%	95.0%

Source: Company, h2Radnor

Dividends

One of the main attractions of Gateley is its high dividend yield, underpinned by a 70% payout target (Figure 60). In our experience, a high dividend payout can be a reassuring sign of both the resilience of a company's P&L earnings and its cash generation. In our opinion, the dividend is partly supported by the amount of pre-IPO Partners who remain with the Group and who at IPO effectively switched some profit share for dividends. Like many companies, Gateley did not pay a dividend in FY20, due to Covid.

The Group's dividend has been maintained since FY23 and, although we forecast an increase, we believe the already high payout and dividend yield means that if management chose to do so they could continue to maintain the dividend for a number of years and use extra free cash for acquisitions and investment. We note that Knights only has a 25% dividend payout policy as it uses most of its free cash to make acquisitions. If Gateley generates large cash returns from its class actions business we would expect it to invest the proceeds rather than pay a special dividend.

Figure 60: Gateley's dividend track record

April year end	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
DPS (p)	5.7	6.6	7.0	8.0	n/a	7.5	8.5	9.5	9.5	9.5	9.5	9.7	10.2
Growth	n/a	15.9%	6.1%	14.3%		n/a	13.3%	11.8%	0.0%	0.0%	0.0%	1.7%	5.9%
Payout %	63.4%	64.9%	60.4%	59.7%		56.5%	57.1%	56.9%	65.9%	71.2%	71.2%	70.0%	70.0%

Source: Company, h2Radnor

Management

Gateley's PLC Board has strong experience and we note that Rod Waldie, CEO, has over 25 years as a real estate lawyer and has sat on the management Board of the business (in one form or another) since 2010 (Figure 61).

John Paton joined the Group on 5 January 2026, ahead of his formal appointment as Group CFO with effect from 1st May 2026, to ensure continuity and a smooth handover. Having already embedded himself within the business, his transition is expected to be orderly and low-risk. John brings a strong background in professional services leadership and financial management, with experience well-suited to a diversified, people-led group such as Gateley. Importantly, Neil Smith will remain with the Group, providing continuity, and we regard his ongoing involvement as a valuable asset as the Group continues to execute its long-term strategy.

Figure 61: Gateley's PLC Board

Name	Position
Executives	
Rod Waldie	CEO
Neil Smith	CFO & Company Secretary
Victoria Garrad	COO
John Paton	CFO designate
Non-Executives	
Edward Knapp	Non-Executive Chairman
Martin Pike	Non-Executive Director
Sunil Gadia	Non-Executive Director
Jenny Goldie-Scot	Non-Executive Director

Source: Company, h2Radnor

Executive Directors

Rod Waldie (CEO)

Rod was appointed to the position of Chief Executive Officer on 1 May 2020. He has been a key member of the Group's Strategic Board since joining the business via the acquisition of the Manchester office of Halliwells LLP in 2010. Prior to his appointment as CEO, Rod was the Senior Office Partner of the Manchester office and led the Group's national property services team. He has been involved in the successful integration of a number of Gateley's post IPO acquisitions.

Rod has over 25 years' experience as a real estate lawyer. He has considerable experience in real estate investment acquisitions, and disposals, estate management, development and landlord and tenant. Clients include offshore investors, onshore real estate companies and developers, real estate asset management companies, high net-worth individuals, retail and leisure operators and specialist providers of supported living accommodation.

Neil Smith (CFO)

Neil has 30 years' experience working in the accountancy profession where he specialised in the professional services industry. Initially Neil spent 14 years at a major accounting practice where he gained considerable experience of auditing and advising a wide range of privately owned and publicly listed businesses across many sectors. He

joined Gateley LLP in 2008, was appointed as Finance Director in 2011 and became the first non-lawyer to be appointed as Partner within Gateley LLP following its successful application to become an Alternative Business Structure in January 2014. Neil was a member of the Management team on Gateley LLP's acquisition of the commercial law business from Halliwells LLP in 2010 and, following his involvement in Gateley (Holdings) Plc's admission to AIM, was appointed to the Plc Board in 2015.

As well as Company Secretary for the Gateley Group he is also the Group's compliance officer for finance and administration ("COFA") and a fellow of the Association of Certified Chartered Accountants.

In September, Gateley announced that Neil Smith had decided to retire on 30 April 2026, although he will remain with the Group to focus on a range of projects supporting its growth strategy. Neil will be succeeded by John Paton, who most recently was CFO of Alpha Financial Markets Consulting (2018 to 2025).

Victoria Garrad (COO)

Victoria was appointed to the Board as COO elect on 1 May 2022 and formally took up post as COO on 1 May 2023. She is an award-winning employment lawyer with over 25 years' experience undertaking a mix of contentious and non-contentious work. Having joined the business in 1996 as a trainee solicitor, Victoria was promoted to partner in the legal services employment team in 2005. She has been a member of the Operations Board since 2011 and was appointed to the Strategic Board on 1 May 2017 to undertake the Group HRD role.

John Paton (CFO Designate)

John has over 25 years' experience in senior finance, corporate advisory and capital markets roles, with a particular focus on professional services businesses. Most recently, John served as Chief Financial Officer of Alpha Financial Markets Consulting between 2018 and 2025, where he supported the firm's growth strategy, international expansion and operational scaling.

Prior to this, John spent 11 years at HSBC Bank plc, holding a number of senior roles including Director positions within the Corporate Capital Origination and UK Mid-Market M&A Advisory teams, advising corporates on financing, strategic transactions and growth initiatives. Earlier in his career, John trained as a Chartered Accountant at KPMG, where he gained experience across audit, corporate finance advisory and risk management consulting.

John joined Gateley in January 2026 as an Executive Director and will assume the role of Chief Financial Officer on 1 May 2026, following a structured handover.

Executive Director remuneration

As well as salary, Executive Directors are rewarded through an annual bonus and share options, under the RSA (Figure 62).

Figure 62: Gateley's Executive Director remuneration (£k)

Executive Director	Year	Salary	Bonus	Share options	Benefits in kind	Total
Rod Waldie (CEO)	FY23	323				323
	FY24	339	83			422
	FY25	380			8	388
Neil Smith (CFO & Company Secretary)	FY23	225				225
	FY24	252	83	17		352
	FY25	300		100	7	407
Victoria Garrad (COO)	FY23	240				240
	FY24	252	83	17		352
	FY25	300		100	7	407

Source: Company, h2Radnor

Annual bonus

The bonus comprises a merit pool and a performance pool and is paid in cash after the end of the year. All Executive Directors participate in the merit pool. Neil Smith and Victoria Garrad also participate in the performance pool. No bonus was paid out to Executive Directors in FY25.

Merit pool

Each year, a pre-agreed percentage of pre-tax profits is allocated to the merit pool, subject to a minimum threshold of profit to ensure the bonus is self-funding. The merit pool is distributed to participants based on their individual performance during the year as determined by appropriate financial and non-financial criteria, which have not been disclosed.

Performance pool

A fixed sum is allocated to the performance pool based on the Group achieving budgeted performance. To the extent that budgeted performance is not achieved, the size of the pool is scaled back. The pool is capped at a pre-determined amount at the start of each year. The pool is distributed to participants based on their role, responsibility and contribution to the long-term business strategy.

RSA Plan

Executive Directors and selected Leaders may participate in the RSA Plan as determined by the Strategic Board and approved by the Remuneration Committee. Awards are granted in the form of nil-cost options which vest on receipt. Awards are subject to a five-year non-dealing restriction ("Restricted Period") and are forfeited should the employment of the participant be terminated or should notice of termination be served in the Restricted Period (whether such notice is served by the Company or the employee). The award of restricted shares to a participant pursuant to the RSA Plan is performance related having regard to the participant's individual performance and contribution to the Group.

The number of awards made under the RSA Plan is set after taking into account the current and expected dilution from all share schemes. The Company applies a guideline for dilution from all share plans which is 15% of issued share capital from time to time

and which (as is normal) counts in all awards made by the Company (and which have not lapsed) under all of its share plans in the prior 10 years.

The Group regards this guideline as appropriate for a people-focused business on the AIM market which has been listed for almost 10 years and the Company intends to continue operating its share plans using a mix of dilutive shares within this guideline and shares purchased on the market when it is appropriate to do so. Mr Waldie does not participate in the RSA due to the size of his existing shareholding. During FY25, awards of 72,464 shares were made to each of Neil Smith and Victoria Garrad under the RSA Plan.

Executive Director share ownership

Reflecting his position as one of the IPO-Partners, Mr Waldie owns a significant stake in Gateley, which was 1,185,670 shares (representing 0.9% of the total shareholding) (Figure 63).

Figure 63: Gateley's Executive Director shareholding (at 30 April 2025)

Executive Director	Number	Holding (%)
Rod Waldie (CEO)	1,185,670	0.89
Neil Smith (CFO & Company Secretary)	355,863	0.27
Victoria Garrad (COO)	590,486	0.44

Source: Company, h2Radnor

Figure 64: Gateley's Executive Director share options – LTIP scheme (at 30 April 2025)

Executive Director	Number	Date of grant	Exercise price	Earliest exercise date
Neil Smith	25,000	27-Apr-22	£nil	01-May-25
Neil Smith	40,000	27-Feb-23	£nil	01-May-26
Victoria Garrad	25,000	27-Apr-22	£nil	01-May-25
Victoria Garrad	40,000	27-Feb-23	£nil	01-May-26

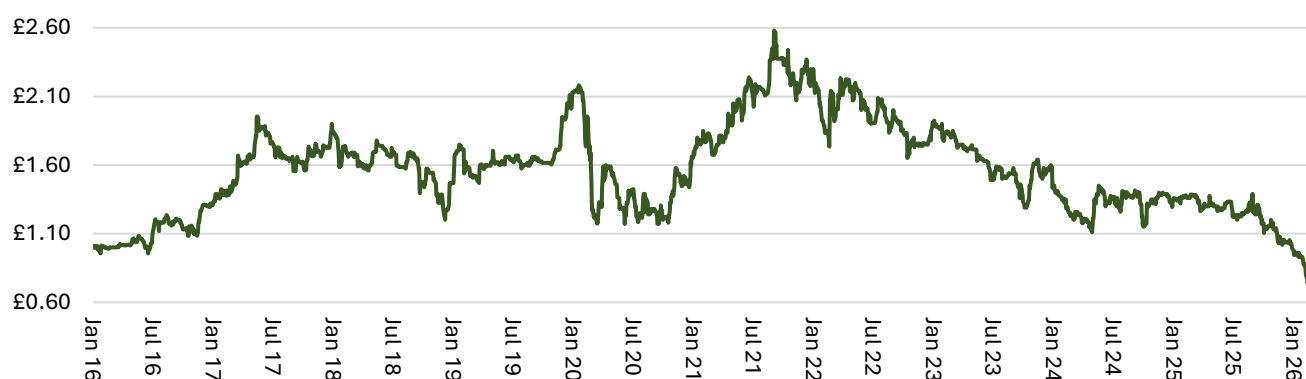
Source: Company, h2Radnor

Valuation

Share price performance

Gateley's share price, at 66p, is below the IPO price of 95p, and considerably below the peak of 248p (Figure 65).

Figure 65: Gateley's share price (p)



Source: FactSet, h2Radnor

We believe that Gateley trades on a highly attractive valuation offering a FY26 PER of 5.0x, a dividend yield of 14.4% (Figure 66).

Figure 66: Gateley's trading multiples

April year end	FY24	FY25	FY26	FY27	FY28
EV/Revenue (x)	0.5	0.5	0.6	0.5	0.5
EV/EBITDA (x)	3.4	3.6	3.9	3.6	3.3
EV/EBITA (x)	4.3	4.6	4.9	4.4	4.1
PER (x)	4.6	5.0	5.0	4.8	4.5
Dividend yield (%)	14.4	14.4	14.4	14.6	15.5
Free cash yield (%)	17.6	5.6	13.1	18.8	17.9

Source: FactSet, h2Radnor

Peer groups

Our listed peer groups for Gateley includes other legal services and professional services companies, all within the Support Services sector (Figure 67).

Figure 67: Gateley's peer groups

Company	Activity
Legal Services	
Keystone Law	Law firm
Knights	Law firm
Professional Services	
Berbies Traynor	Insolvency practitioner, financial advisory, and property services consultancy
DSW Capital	Accountancy and law firm
Elixirr	Consulting
FRP	Insolvency practitioner and financial advisory
MHA	Provides audit and assurance, tax, accountancy, and advisory services
Public Policy Holding Co	Government and public affairs advisory

Source: h2Radnor

On PER, using consensus estimates from FactSet, Gateley is 50% cheaper than the Professional Services peer group (Figure 68).

Figure 68: Gateley's peer group multiples

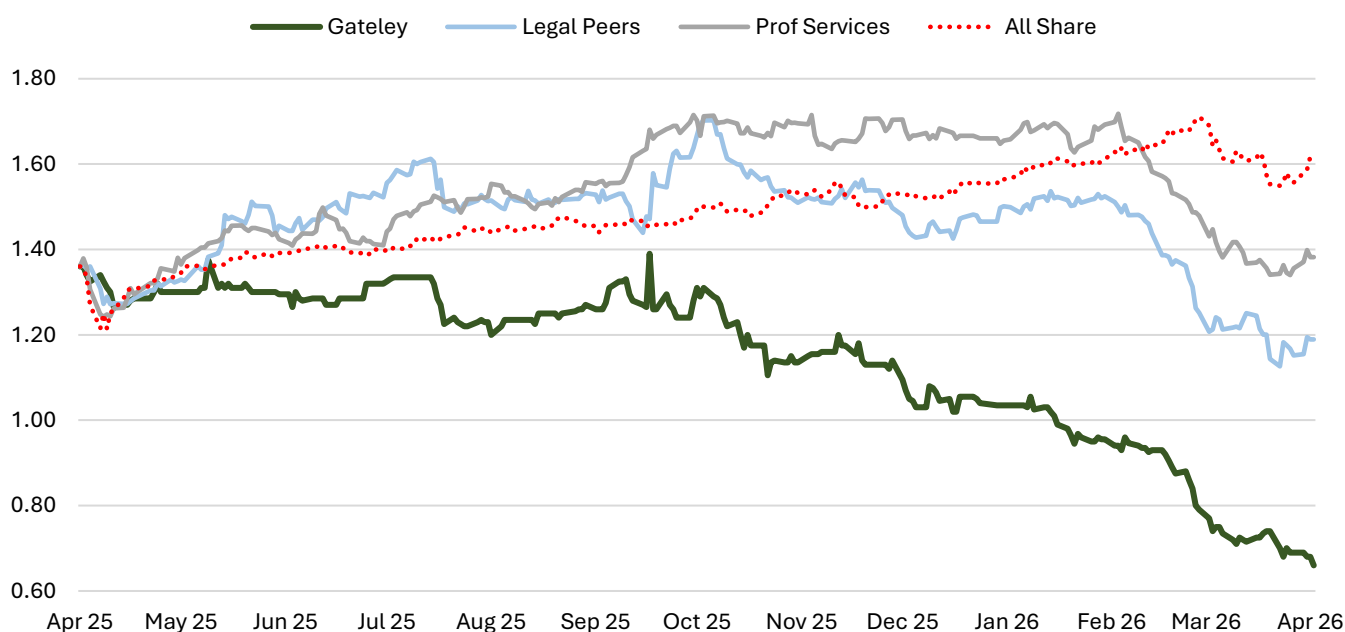
	Price, £ p	Market Cap, £m	FY1 Net Cash, £m	EV, £m	FY1 EV / Sales, x	FY1 PE, x	FY1 Div Yield, %
Gateley (Holdings) Plc	66	90.6	(19.1)	109.7	0.6	5.0	14.4%
<i>Rel to Legal Services Peers</i>					-54%	-50%	260%
<i>Rel to Professional Services Peers</i>					-65%	-50%	226%
Legal Services Peers - UK							
Keystone Law Group Plc	475	150.7	8.1	142.6	1.3	13.6	4.9%
Knights Group Holdings Plc	169	144.6	(103.8)	248.4	1.2	6.3	3.0%
					1.2	10.0	4.0%
Professional Services Peers - UK							
BTG Consulting plc	119	191.8	(1.0)	192.8	1.2	11.3	3.8%
DSW Capital Plc	45	11.3	0.4	10.9	1.5	6.5	7.3%
Elixirr International Plc	602	293.4	(24.1)	317.5	2.1	10.8	3.6%
FRP Advisory Group Plc	114	284.7	27.7	257.0	1.6	9.7	4.9%
MHA Plc	129	330.3	(11.1)	341.4	1.4	12.6	4.0%
Public Policy Holding Co., Inc.*	1218	388.5	(29.9)	418.4	2.2	8.2	3.0%
					1.7	9.9	4.4%

* PPHC reports in USD so share price & market cap have been converted to USD

Source: FactSet, h2Radnor

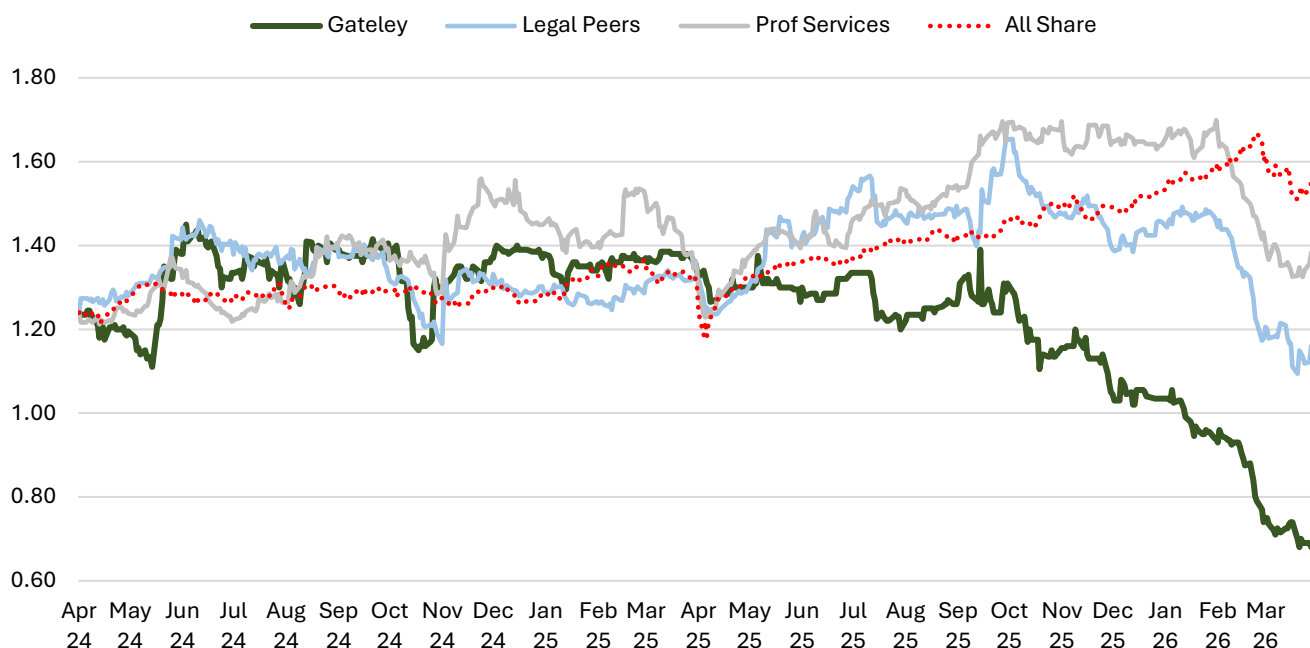
Gateley's share price has underperformed over both the last one and two years (Figure 69 and Figure 70).

Figure 69: Gateley's one-year relative share price performance



Source: FactSet, h2Radnor

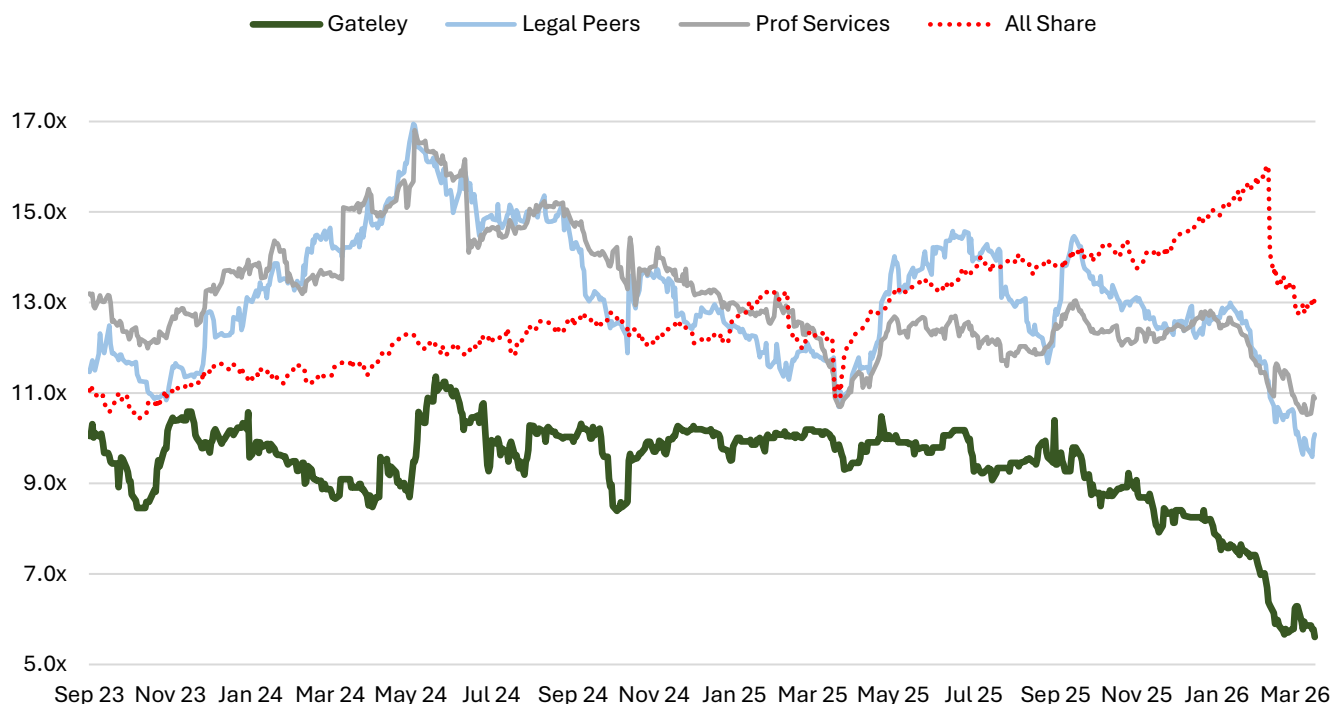
Figure 70: Gateley’s two-year relative share price performance



Source: FactSet, h2Radnor

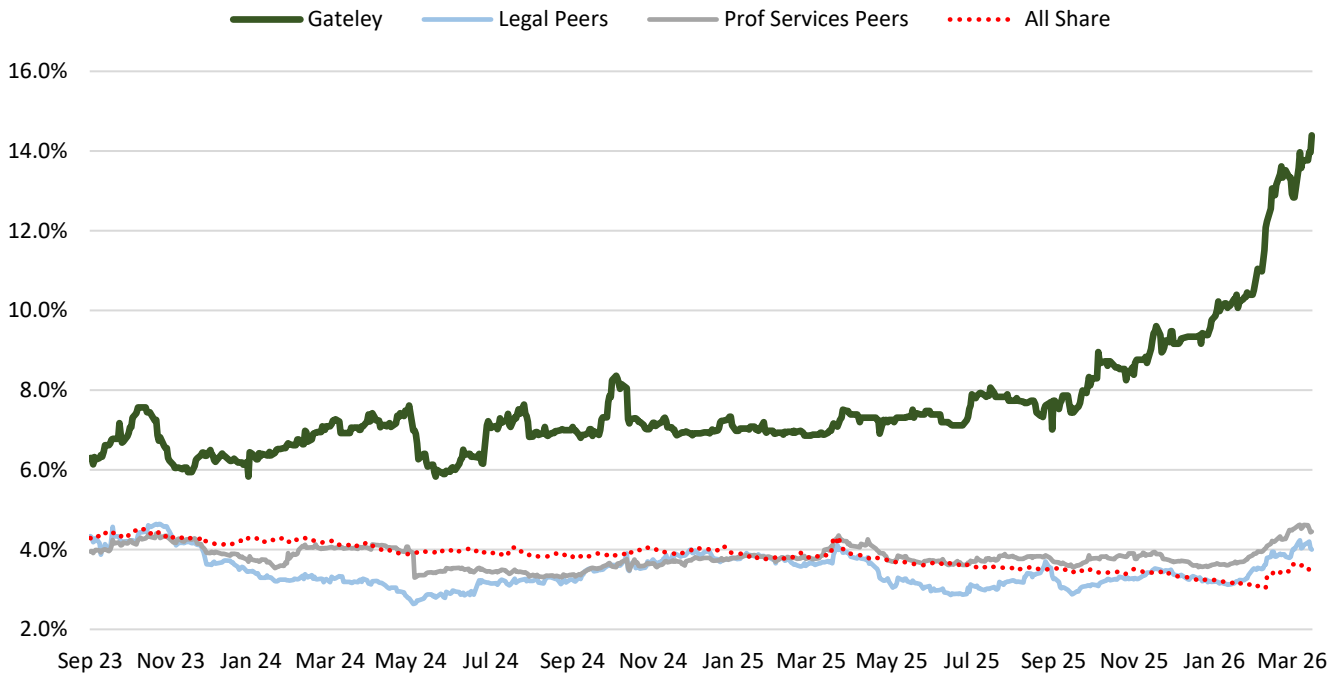
Relatively both Gateley’s prospective PER and dividend yield have become increasingly attractive relative to peers and the FTAS (Figure 71 and Figure 72). Although the Group is AIM-listed, we have used the FTAS as we lack a good valuation data series for AIM.

Figure 71: Gateley’s FY1 PE multiple relative to peers and the FTAS



Source: FactSet, h2Radnor

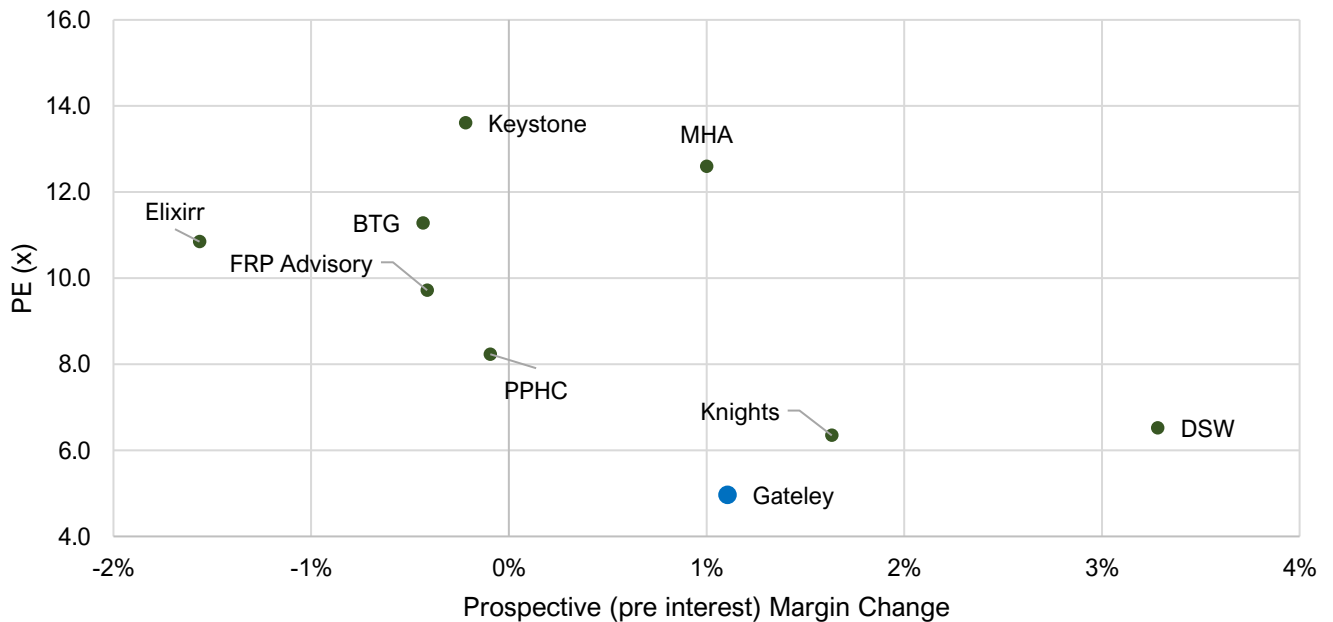
Figure 72: Gateley’s FY1 dividend yield relative to peers and the FTAS



Source: FactSet, h2Radnor

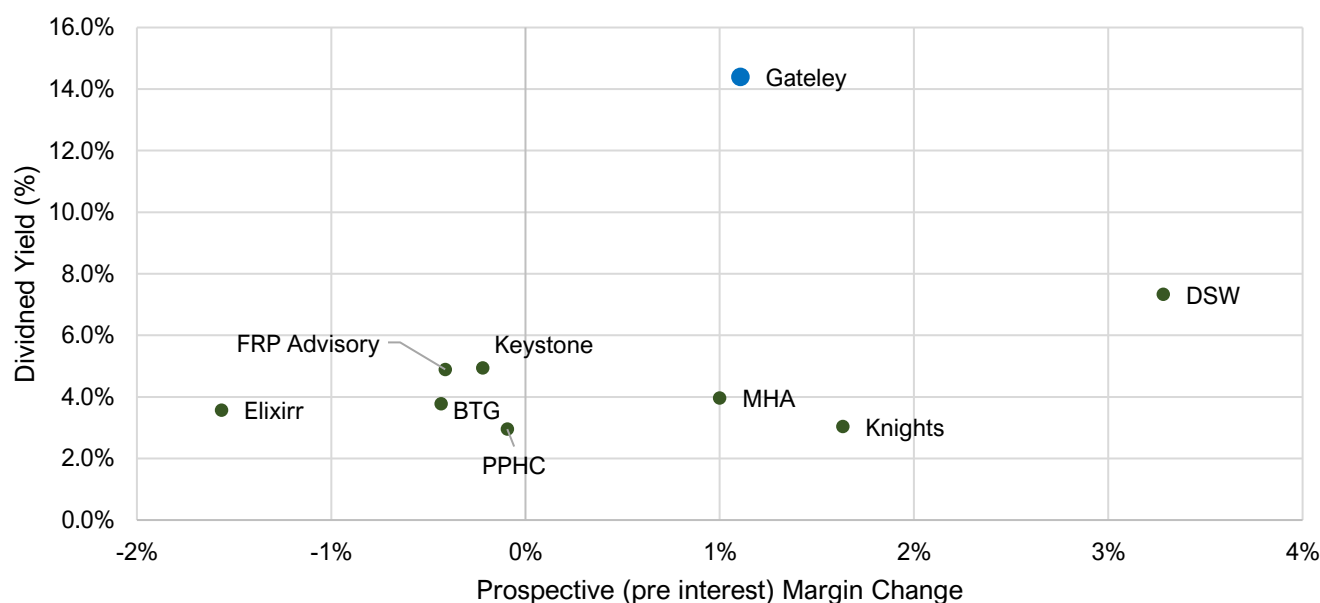
In particular we do not think that Gateley’s valuation relative to its peers is correctly pricing in the prospect of a margin rise (Figures 73 and 74).

Figure 73: Prospective margin improvement relative to PE multiples



Source: FactSet, h2Radnor

Figure 74: Prospective margin improvement relative to Dividend Yield



Source: FactSet, h2Radnor

Illustrative Fair Value Model

In our view a DCF is the best way to value Gateley, especially given its strong cash generation and relatively defensive profile (Figure 75). Plus, the Group's aim to increase the adjusted operating profit margin supports looking at profits a number of years out.

Figure 75: Our DCF for Gateley (£m)

April year end	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	TV
Revenue	190	197	205	217	230	244	256	269	282	296	298
Growth	5.6%	4.1%	3.7%	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	0.5%
EBITDA	28	30	32	35	38	40	43	46	49	52	51
Margin	14.9%	15.4%	15.8%	16.1%	16.3%	16.6%	16.8%	17.1%	17.3%	17.6%	17.1%
Margin change		3.2%	2.9%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	(2.5%)
Working capital	(6)	1	(1)	(4)	(5)	(5)	(5)	(5)	(6)	(6)	(4)
Working capital/revenue	(3.1%)	0.7%	(0.3%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(1.5%)
Maintenance capex	(6)	(6)	(6)	(5)	(6)	(6)	(6)	(7)	(7)	(7)	(6)
Maintenance capex/revenue	(3.1%)	(3.1%)	(3.1%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)	(2.0%)
Subtotal	17	26	25	25	27	29	32	34	36	39	41
Tax	(4)	(6)	(6)	(6)	(7)	(7)	(8)	(8)	(9)	(10)	(10)
Tax rate	23.5%	24.0%	24.5%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Free cash	13	20	19	19	20	22	24	25	27	29	30
Present value	12	16	15	13	13	13	13	13	13	12	12

Source: h2Radnor

We use a WACC of 8.3%, based on a cost of equity of 8.9% and a cost of debt of 5.5% (Figure 76 and Figure 77).

Figure 76: WACC for Gateley

Metric	Rate
Cost of equity	8.9%
Cost of debt	5.5%
Total	8.3%

Source: h2Radnor

Figure 77: Inputs to WACC for Gateley

Metric	Rate
Risk free rate	4.5%
Equity risk premium	5.5%
Beta (x)	0.8
Total	8.9%

Source: h2Radnor

Our illustrative fair value for the Group is 190p per share, giving considerable upside to the current share price (Figure 78).

Figure 78: Our illustrative fair value for Gateley

Metric	Value
Total present value of forecast period (£m)	134
Terminal value (£m)	143
Total (£m)	278
Net debt/(cash) (£m)	19
Equity (£m)	258
Number of shares (diluted) (m)	136
Share price (p)	190
Current share price (p)	66
Difference	188%

Source: h2Radnor

Detailed h2Radnor Estimates

Figure 79: Key h2Radnor P&L estimates

April year end	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Revenue	137.2	162.7	172.5	179.5	189.6	197.4	204.7
<i>Organic growth</i>	10.9%	6.2%	2.8%	2.8%	4.0%	3.3%	3.7%
<i>Acquisition growth</i>	2.2%	12.3%	3.2%	1.3%	1.7%	0.8%	0.0%
<i>Total growth</i>	13.1%	18.5%	6.0%	4.1%	5.6%	4.1%	3.7%
Contribution	51.6	56.3	60.5	61.9	65.2	69.1	72.9
<i>Margin</i>	37.6%	34.6%	35.1%	34.5%	34.4%	35.0%	35.6%
Other operating income	0.0	0.0	0.2	0.2	0.2	0.2	0.3
Personnel costs	-10.5	-11.1	-18.1	-19.8	-20.5	-21.8	-23.2
Depreciation and amortisation	-4.6	-5.2	-5.5	-5.8	-5.9	-6.1	-6.3
Other operating expenses	-14.0	-15.1	-16.8	-15.6	-16.6	-17.1	-17.5
Underlying operating profit	22.5	25.0	20.3	20.9	22.5	24.3	26.1
<i>Margin</i>	16.4%	15.4%	11.7%	11.7%	11.8%	12.3%	12.8%
Interest	-0.9	0.1	2.8	2.4	1.2	0.7	0.8
Underlying PBT	21.6	25.1	23.0	23.3	23.7	25.0	26.9
<i>Margin</i>	15.7%	15.4%	13.4%	13.0%	12.5%	12.7%	13.1%
Underlying tax	-3.8	-4.1	-4.3	-5.5	-5.6	-6.0	-6.6
<i>Underlying tax rate</i>	17.8%	16.5%	18.5%	23.5%	23.5%	24.0%	24.5%
Underlying earnings	17.7	20.9	18.8	17.8	18.1	19.0	20.3
Shares (m)	119.0	125.2	130.1	133.6	135.7	137.3	139.0
Underlying EPS (p)	14.9	16.7	14.4	13.3	13.3	13.8	14.6
<i>Growth</i>	12.3%	12.2%	-13.7%	-7.5%	0.0%	3.8%	5.6%
Shares diluted (m)	121.9	128.5	132.1	133.9	136.1	137.7	139.4
Underlying diluted EPS (p)	14.5	16.3	14.2	13.3	13.3	13.8	14.6
<i>Growth</i>	10.4%	12.0%	-12.8%	-6.3%	-0.1%	3.8%	5.6%
DPS (p)	8.5	9.5	9.5	9.5	9.5	9.7	10.2
<i>Growth</i>	13.3%	11.8%	0.0%	0.0%	0.0%	1.7%	5.9%
<i>Payout</i>	57.1%	56.9%	65.9%	71.2%	71.2%	70.0%	70.0%

Source: h2Radnor, Company

Figure 80: Key h2Radnor Cashflow estimates

April year end	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Underlying operating profit	22.5	25.0	20.3	20.9	22.5	24.3	26.1
Depreciation and amortisation	4.6	5.2	5.5	5.8	5.9	6.1	6.3
Loss on disposal of property, plant and equipment	0.0	0.1					
Acquisition costs	(0.5)		(0.0)	(0.0)			
Reorganisation costs	(0.5)		(1.2)	(1.9)	(1.4)		
One-off remuneration charge			(0.4)				
Equity settled share-based payments	0.1	(0.9)		(0.7)	(0.6)		
Sub-total	26.3	29.4	24.2	24.1	26.4	30.4	32.4
Receivables	(10.3)	(6.9)	(10.7)	(2.3)	(4.4)	(4.7)	(6.5)
Payables	0.8	(7.3)	8.6	(7.0)	(1.5)	6.1	5.9
Provisions	0.0	0.4	2.5	(1.0)			
Tax	(4.5)	(4.3)	(4.9)	(5.4)	(5.3)	(5.7)	(6.3)
Interest	0.0	1.4	4.0	3.5	1.2	0.7	0.8
Lease payments	(3.9)	(4.6)	(5.1)	(5.4)	(5.5)	(5.7)	(5.9)
Sub-total	8.5	8.1	18.8	6.4	10.9	21.1	20.5
Net capex on property, plant and equipment	(0.8)	(1.3)	(1.0)	(1.5)	(2.5)	(2.0)	(2.0)
Net capex on intangibles	(0.3)	(0.8)					
Acquisitions	(6.0)	(1.0)	(4.6)	(0.4)	(4.8)	(1.2)	(1.2)
Proceeds from sale of own shares	0.1						
Purchase/sale of shares	(0.0)	(0.4)	(3.3)	(2.8)	(3.2)	(3.3)	(3.4)
Exercise of share options	1.8	0.5	2.1	0.4			
Dividends	(12.4)	(11.0)	(12.3)	(12.5)	(12.8)	(13.0)	(13.4)
Sub-total	(9.2)	(6.0)	(0.4)	(10.4)	(12.4)	1.6	0.4
Borrowing	5.7	1.0	6.0	5.8	11.5		
Total	(3.5)	(5.0)	5.6	(4.6)	(0.9)	1.6	0.4
Cash at the beginning	19.6	16.1	11.1	16.7	12.1	11.2	12.8
Cash at the end	16.1	11.1	16.7	12.1	11.2	12.8	13.2

Source: h2Radnor, Company

Figure 81: Key h2Radnor Balance Sheet estimates

April year end	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Non-current assets							
Property, plant and equipment	1.3	1.6	1.6	1.8	2.8	2.8	2.8
Right-of-use asset	24.6	27.1	23.6	21.1	22.0	22.7	23.5
Investment property	0.2	0.2	0.2				
Intangible assets & goodwill	14.0	12.9	13.8	11.1	14.3	14.9	15.4
Other intangible assets	0.6	1.1	0.6	0.2	0.1	0.1	0.1
Other investments	0.2	0.1	0.3	0.1	0.1	0.1	0.1
Deferred tax asset	0.6	0.8	0.4	0.6	0.6	0.6	0.6
Trade and other receivables			8.4	2.6	2.7	2.8	2.9
Sub-total	41.5	43.9	48.8	37.5	39.8	41.1	42.5
Contract assets	17.2	20.4	23.5	24.9	26.3	27.4	28.4
Trade receivables	50.2	54.2	58.1	57.9	61.1	63.6	66.0
Prepaid consideration subject to earn-out service conditions	15.4	13.1	6.7	2.3	2.5	2.6	2.7
Prepayments	5.6	5.8	7.2	8.9	9.4	9.8	10.1
Other receivables	0.3	0.2	2.1	1.5	1.6	1.6	1.7
Cash and cash equivalents	16.1	11.1	16.7	12.1	11.2	12.8	13.2
Sub-total	104.9	104.8	114.3	107.5	112.0	117.7	122.0
Total	146.4	148.7	163.1	145.0	151.8	158.9	164.5
Liabilities							
Lease liability	25.2	28.7	24.2	21.6	22.9	22.9	22.9
Deferred tax liability	3.1	2.9	3.0	2.4	3.3	3.3	3.3
Provisions	0.9	1.3	3.7	2.7	2.7	2.7	2.7
Sub-total	34.9	39.8	30.9	45.4	59.2	59.2	59.2
Current liabilities							
Other interest-bearing loans and borrowings			12.9				
Trade and other payables	31.7	25.9	33.1	25.9	27.4	28.5	29.6
Provisions	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Current tax liabilities	0.8	1.5	1.4	1.8	1.8	1.8	1.8
Sub-total	36.4	30.8	51.9	32.1	33.6	34.7	35.8
Net assets							
Share capital	12.5	12.7	13.3	13.4	13.4	13.4	13.4
Merger reserve	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Other reserves	14.5	15.4	19.4	19.8	20.2	20.2	20.2
Treasury reserve	(0.3)	(0.7)	(4.0)	(2.6)	(1.7)	(1.7)	(1.7)
Translation reserve	(0.0)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)
Retained earnings	47.1	48.9	61.6	46.8	36.8	42.7	47.3
Sub-total	75.1	78.1	80.3	67.5	59.1	65.0	69.6
Total	146.4	148.7	163.1	145.0	151.8	158.9	164.5

Source: h2Radnor, Company

REGULATORY DISCLOSURES

H2 Radnor Ltd is authorised and regulated by the Financial Conduct Authority.

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