

Slater & Gordon



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Results presentation - H1 FY11

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A transformative 6 months

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- ▶ Acquisition of Trilby Misso completed 13 August 2010
 - ➔ Trilby Misso #1 recognised brand in Queensland
 - ➔ Increase Queensland revenue by \$31 million p.a.
 - ➔ Additional 144 FTE staff and 6 new locations in Queensland

- ▶ Acquisition of Keddies completed 11 January 2011
 - ➔ Increase NSW revenue by \$25 million p.a.
 - ➔ Additional 80 FTE staff and 3 new locations in NSW

- ▶ Continued strong organic growth building on new dominance along eastern seaboard
 - ➔ Accelerated marketing program driving organic growth
 - ➔ Enquiries for Slater & Gordon up 18% year on year with more than 70,000 enquires in 12 months to 31 December 2010

What's in store from here

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- ▶ Tracking ahead of schedule to achieve 2015 revenue target of \$250m
- ▶ Strong pipeline of growth opportunities in Personal Injuries market share and development of fledgling private clients and family law practices.

First Half Year Highlights

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- ▶ **Revenue up 44% (↑ \$26.1m)**
 - Trilby Misso contributed \$14.7m for 5 months post acquisition accounting for 25% of the growth
 - Approximately \$4.0m uplift in revenue contributed from acquisitions made in FY10
 - 13% organic growth compared to H1 FY10

- ▶ **EBIT up 47% and NPAT up 41%**
 - Alignment of revenue and earnings growth

- ▶ **EPS growth 8%, Normalised EPS growth >12%**
 - Lag between capital raising in June and Trilby Misso completion mid August 2010 and Keddies completion in January 2011
 - Normalised EPS Growth >12% for H1 FY11
 - Keddies acquisition fully debt funded, further enhancing full year EPS for FY 11
 - Full EPS benefit of Trilby Misso and Keddies to be realised in FY12

- ▶ **Fully franked interim dividend of 2.2c**

Strong Earnings growth

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	H1 11	H1 10	% change
Revenue	84,825	58,767	↑ 44.3%
EBITDA	21,967	14,850	↑ 47.9%
EBIT	20,869	14,179	↑ 47.2%
EBIT Margin	24.9%	24.4%	
Normalised EBIT	21,572	14,829	↑ 45.5%
Normalised EBIT Margin	25.7%	25.2%	
NPAT	13,331	9,485	↑ 40.5%
EPS (Basic)	9.4	8.7	↑ 8.0%
EPS (Diluted)	8.9	8.1	↑ 9.8%
Interim Dividend (cents)	2.2	2.0	- 10.0%

Impacts on P&L for 6 months

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- ▶ External acquisition costs approx \$700k
 - Due diligence on Keddie's
 - Completion of acquisition of Trilby Misso
- ▶ Normalised EBIT 25.7% excluding additional acquisition costs
- ▶ In addition, marketing spend increased \$1.7 million compared to historical average spend as a percentage of revenue
 - As highlighted year end FY10
 - Delivered 18% increase in annualised enquires to 31 December 2010.
 - Impact on Movement in WIP in FY12 and Fee income FY13
 - Marketing spend is weighted towards H1 FY11 (including tactical western Sydney increased spend)

Cash Flow in line with expectation

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	H1 FY11 \$'000
NPAT	13,331
Cash flow from operations	7,284
% Recovery	54.6%
Abnormal transaction costs H1 FY11	700
Accelerated marketing spend H1 FY11	1,700
Normalised cash flow from operations	9,684
Normalised % recovery	72.6%

- Management objective of 70% - 80% of NPAT in Cash Flows from Operations
- Allows for:
 - non cash movement in WIP
 - growth in disbursements and working capital funding
- Cash flow impacted by increased marketing spend (approx. \$1.7m) and costs of acquisition incurred in H1 FY 11 (TML & Keddies)
- Marketing spend and acquisition spend expected to 'normalise' over full year
- Uptake of external disbursement funding product has been slower than anticipated - Impact to expected to increase H2 FY11.
- Cash flow for FY 11 expected to be within 70 - 80% range, with management expectations at higher end

Balance Sheet

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	31 Dec 10 ^{1,2}	30 June 10
Debtor Days	85	97
Paid Disbursement Days	79	85
WIP Days (PI & Non PI)	360	353
WIP Days (Non PI)	10	12
WIP Days (Self Funded Projects)	24	30
Debt / Equity Ratio	15.7%	17.5%
Interest Cover	8.9	11.7
Return on Equity	14.4%	15.9%

1. Measures based upon half year results annualised where necessary (i.e. doubled fees).
2. Debtor, Paid Disbursement & WIP Days calculation conducted on a pro rata basis for acquisition of TML

Trilby Misso Acquisition

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- ▶ Completed 13 August 2010
- ▶ Significant market share of Queensland personal injury market (15-20%) - focused on South East Queensland
- ▶ Business enjoys strong brand awareness with 76% of Queenslanders recognising the Trilby Misso brand
- ▶ Operating as stand alone brand within Slater & Gordon
- ▶ Operational integration underway
- ▶ Transition successful with no issues experienced
- ▶ Trilby Misso on target to provide revenue > \$28 million in FY11

Keddies Acquisition

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- ▶ Completed 11 January 2011
- ▶ 3 new offices in Sydney (Redfern, Ashfield, Liverpool)
- ▶ Full integration in Slater & Gordon well advanced
- ▶ Merger of Wollongong and Brisbane with existing Slater & Gordon offices
- ▶ Principal areas of practice are:
 - ▶ Motor vehicle accident litigation
 - ▶ Workplace accidents
 - ▶ Public and product liability
 - ▶ Medical law
- ▶ Increase NSW market share to > 20%
- ▶ Forecast to provide \$11 million of revenue in 2H FY11

Project Litigation Pipeline

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Matter	Start	Comment	Expected Completion
Self Funded			
Vioxx	FY04	- Judgment in favour of plaintiff - Appeal listed in Q1 FY12	FY12
Brookland Greens	FY09	Trial in Q1 FY12	FY12
Fincorp	FY09	Settlement discussions continuing	FY11-FY12
Storm Financial (BOQ cases)	FY10	Test cases proceeding through interlocutory court procedures	FY12
Others matters (13)		Various stages of completion	FY11-FY12
Others matters (8)		Various stages of assessment / completion	FY12 +
Self funded Projects Discounted WIP			\$8.8 million
Self funded Projects Paid Disbursements			\$5.4 million
Third Party Funded (15 matters)			
Nufarm		Acting for s'holders in new court action filed in January funded by CLF	
Downer EDI		Acting for s'holders in recently announced action funded by IMF	
Sigma		Acting for s'holders in court action filed in October funded by CLF	
Centro		Trial in Q1 FY12	

Focus Areas FY11

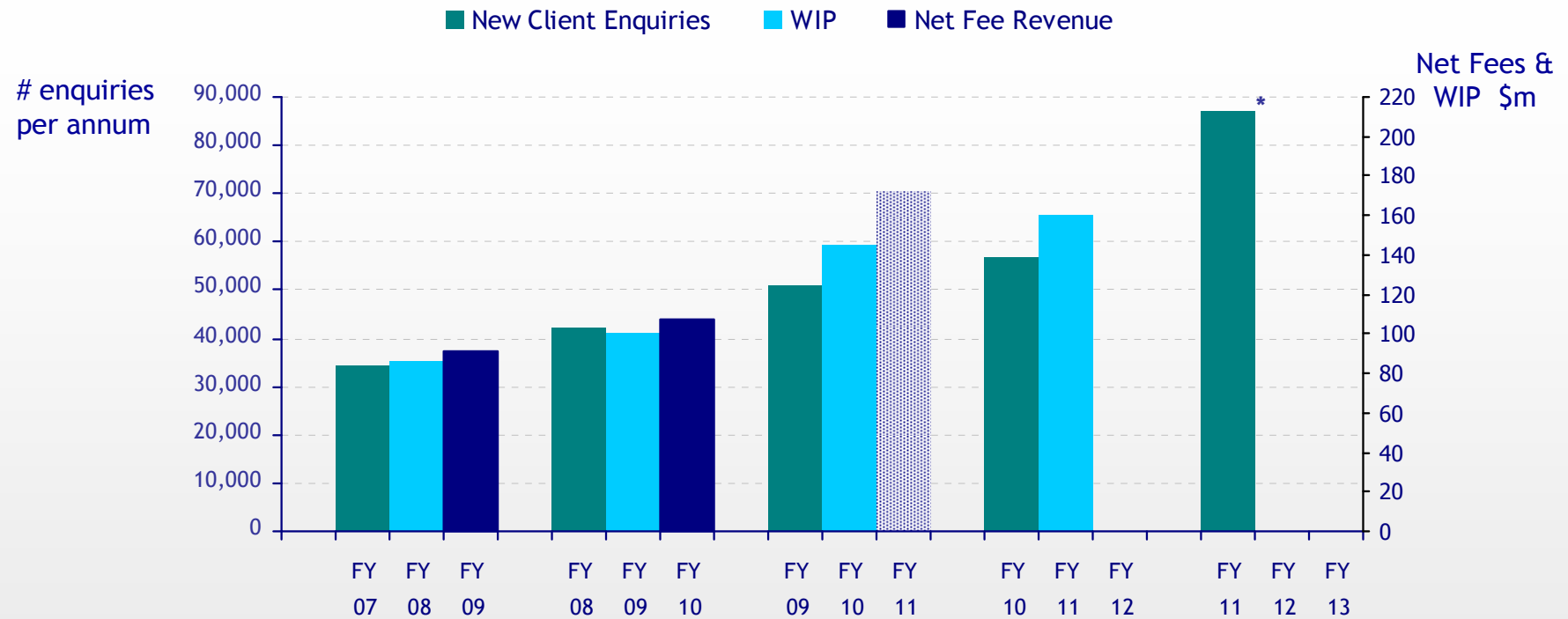
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- ▶ Consolidating Trilby Misso and Keddies acquisitions
- ▶ Improving underlying margins in PI practices in NSW & Queensland
- ▶ Successfully delivering existing project litigation while continuing to develop pipeline of new cases
- ▶ Accelerating margin improvement trend in Non PI practices
 - ▷ **Family Law** - New service line to be launched in H2 FY11 with proof of concept by 30 June 2011
 - ▷ **Domestic Conveyancing** - New workflow platform through pilot stage; ready for expansion - potential acquisitions being assessed.
 - ▷ **Wills & Estate Planning & Estate Litigation** - organic growth by leveraging client base and improving direct channels to new clients via web and alliances with affinity groups

Continued Strong Visibility on Future Performance

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Relationship of Enquiries to WIP to Fees



- Continued strong relationship between new client enquiries, WIP and net fee revenue

* includes annualised Trilby Miss enquiries

Momentum to Continue

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Outlook for H2 FY11

- ▶ Continued organic revenue growth of 10%+
- ▶ Focus on bedding down Trilby Misso & Keddies acquisitions
 - ➔ Trilby Misso on target to provide revenue of \$28 million + in FY11 (Annualised revenue of \$31 million)
 - ➔ Keddies acquisition completed 11 January - Forecast to provide \$11 million of revenue in 2H FY11.
- ▶ Revenue Target full year \$170 million +
- ▶ Normalised EBIT margin target for full year remains 26%
- ▶ Continued focus on improvement in cash flow management - target 70% - 80% cash flow from operations as a percentage of NPAT.
- ▶ Balance Sheet to remain strong providing capacity for future growth

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