

# Slater & Gordon Limited



## Andrew Grech – Managing Director

Annual General Meeting

21 October 2011

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*No challenge too great™*

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## FY11 Highlights

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- Trilby Misso and Keddies acquisitions successfully integrated - delivered over \$43 million revenue
- Base business continued to perform strongly while acquisitions were bedded in
  - Demonstrates depth of management
- Received over 80,000 new client enquiries
- Continued expansion of national network – 5 new offices including 3 for Trilby Misso
- Settled Oz Minerals, Fincorp and Brookland Greens class actions

## Financials

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|                                           | FY11  | FY10  | % change |
|-------------------------------------------|-------|-------|----------|
| Total Revenue (\$m)                       | 182.3 | 124.7 | ↑ 46.2%  |
| EBITDA (\$m)                              | 48.5  | 31.5  | ↑ 54.1%  |
| EBITDA margin                             | 26.9% | 25.5% |          |
| EBIT (\$m)                                | 45.8  | 30.0  | ↑ 52.6%  |
| EBIT margin                               | 25.4% | 24.3% |          |
| Normalised EBIT <sup>1</sup> (\$m)        | 47.2  | 30.0  | ↑ 57.4%  |
| Normalised EBIT margin <sup>1</sup>       | 26.2% | 24.3% |          |
| NPAT (\$m)                                | 27.9  | 19.8  | ↑ 40.9%  |
| Basic EPS (cents)                         | 19.1  | 17.9  | ↑ 6.7%   |
| Normalised Basic EPS <sup>1</sup> (cents) | 20.1  | 17.9  | ↑ 12.3%  |
| Dividend (cents)                          | 5.50  | 5.00  | ↑ 10.0%  |

1. Excludes acquisition costs of \$1.4 million (non tax deductible) relating to Trilby Misso and Keddies in FY11

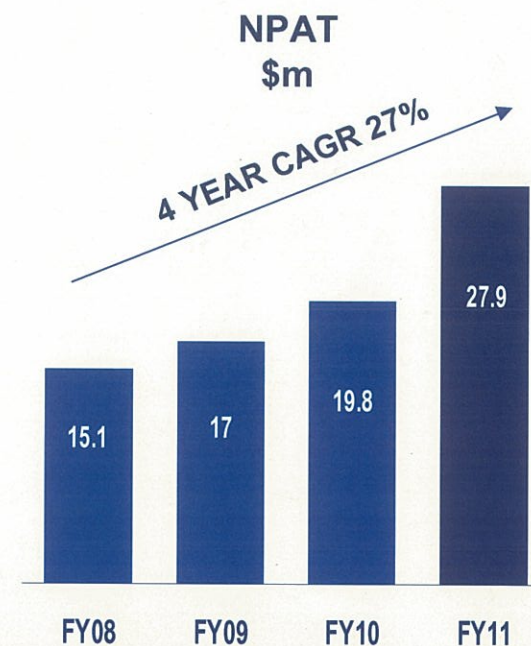
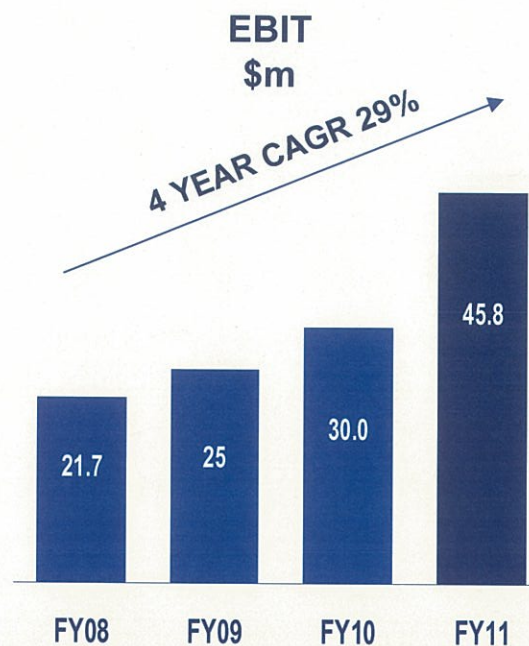
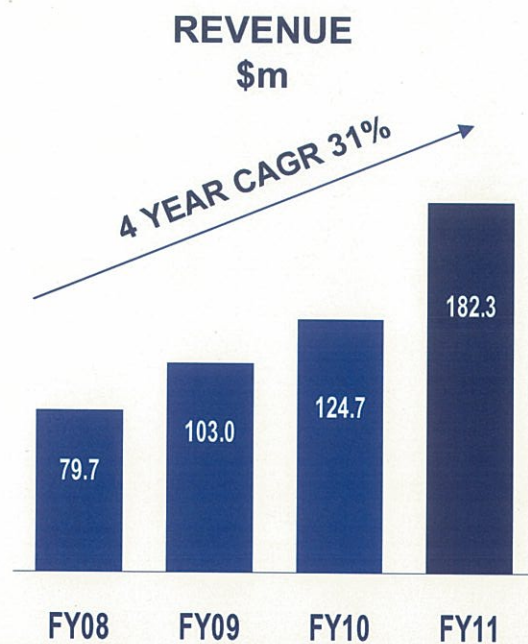
## Slater & Gordon – The Basics

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- Australia's best known legal services brand – 80,000 enquiries from potential clients in FY11
- Largest network of offices – national expertise, local delivery
- Not cyclical – 80% of business is in plaintiff personal injury litigation
- Consistently delivered strong results – almost 30% compound annual growth over past 5 years
- This year's enquiries convert to revenue over 2 years on average
- Now leveraging brand strength by expanding into other areas of consumer legal services
- Potential to take Australian expertise to other similar legal jurisdictions

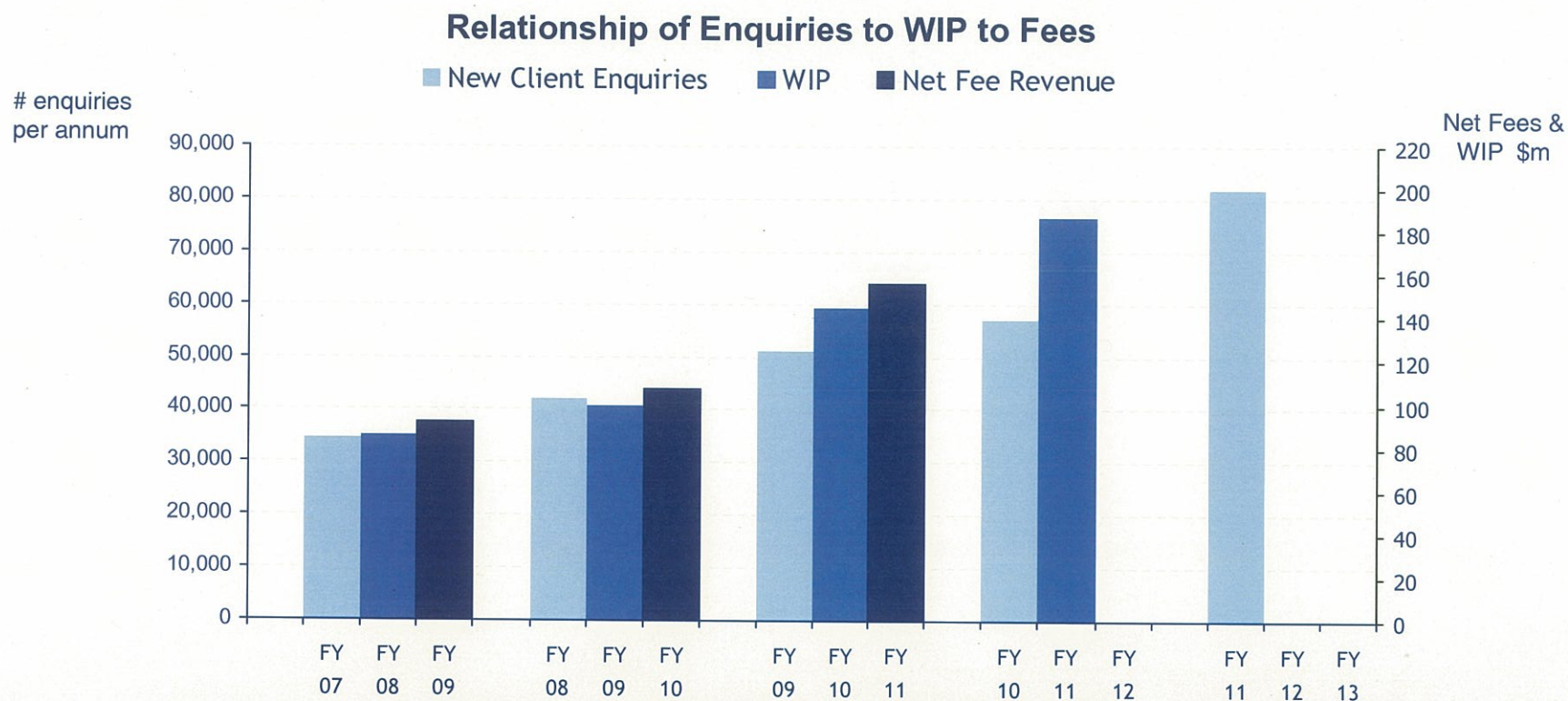
## Track Record of Consistent Delivery

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## Strong Visibility on Future Performance

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**Continued strong correlation between new client enquiries, WIP and net fee revenue**

## VIOXX

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- Judgement in favour of class action claimant in March 2010
- Overturned on appeal October 2011
- Decision does not foreclose all rights of other members of the class
- Lead plaintiff may seek special leave to appeal to High Court
- Current S&G exposure in the case is \$9.8 million comprising work in progress (WIP) and investment in disbursements
  - Largest self-funded case by far
  - Represents <5% of all company investment in WIP and disbursements
- S&G Board will continue to take advice on the strength of the remaining rights available to the plaintiff and other class members to determine whether any impairment of the carrying value of WIP and disbursement investment in the case is appropriate

## Strategic Priorities

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- Complete integration of Trilby Misso and Keddie's
- Aggressively develop Family Law and Private Clients practices
- Support continued organic growth in Personal Injury practices
- Extract greater value from new client enquiries (80,000+ in FY11)
  - Increase conversion rates
  - Increase take up of other services
- Further investigate opportunities outside of Australia, particularly UK

## Potential Opportunity in the UK

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- UK market for consumer legal services undergoing significant change
  - Changing regulatory environment – structure of ownership of legal practices
  - Changing regulatory environment – reduce cost of personal injuries litigation – impact on profitability for small firms
  - Impact of the GFC
- UK market is around 5 times size of Australian market
  - Personal injury work generally has lower working capital requirements
- S&G has long standing relationships with UK firms
- S&G Brand – as first listed law firm in the world recognised by lawyers operating in comparative legal systems
- Opportunity being more seriously evaluated

## Outlook for FY12

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- Stronger EPS growth in FY12 with full year benefit of Trilby Misso and Keddies
- Revenue target \$200 million+
- EBIT margin target of 25%-26%
- Continued focus on improving cash flow from operations
- Balance Sheet to remain strong providing capacity for future growth

## Look Further Ahead

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- Strong growth and acquisitions resulted in revised revenue targets for FY15
- Combined revenue target up from \$250m to > \$300m

| Practice Group               | Personal Injury | Family Law | Private Clients | Commercial & Project Litigation |
|------------------------------|-----------------|------------|-----------------|---------------------------------|
| Market Size*                 | \$550-700m      | \$400-500m | \$700-750m      | Not known                       |
| Current S&G Market Share     | 20-25%          | ~1%        | ~1%             | -                               |
| 2015 Target Market Share     | 30-40%          | 5%         | 3%              | -                               |
| Previous 2015 Target Revenue | \$175m          | \$25m      | \$22m           | \$35m                           |
| Revised 2015 Target Revenue  | \$235m          | \$25m      | \$22m           | \$25m                           |

## Appendix 1: Trilby Misso

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- Completed August 2010. Transition successful and performing above expectations
- Platform for growth
  - Marketing of both brands to continue – both have strong recognition
  - Rationalising operations to maximise efficiencies (geographic and practice groups) – consolidated Qld presence
  - Expansion of Trilby Misso south east Qld office network – 3 new offices opened in Toowoomba, Loganholme and Browns Plains
  - Development of regional offices – build scale into existing Slater & Gordon sites and expand into new locations
- Contributed \$32 million revenue in FY11 (11 months)
  - Exceeded previous guidance of \$28 million+ revenue for FY11



## Appendix 2: Keddies

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- Transaction completed January 2011. Full integration completed August 2011
- Footprint
  - Added 3 new sites - Redfern, Ashfield and Liverpool
  - Consolidated Wollongong, Brisbane and Parramatta
  - Combined NSW footprint increased to 17 sites
- Contributed \$11 million revenue in FY11 (6 months) – in line with guidance



# Slater & Gordon

*Lawyers*