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Slater & Gordon to enter UK legal market

Slater & Gordon Limited (ASX: SGH) announced today that it has agreed to acquire the business of prominent United Kingdom law firm Russell Jones & Walker (RJW) for £53.8 million (approximately \$AUD80 million), subject to the grant of an Alternative Business Structures licence by the UK Solicitors Regulation Authority.

The agreement to acquire the business comes after more than 12 months of extensive due diligence. All of RJW's principals will continue to work in the new business and are becoming shareholders in Slater & Gordon.

The history of RJW is similar to that of Slater & Gordon. Established in the 1920s to gain compensation for steelworkers injured in the dreadful working conditions of the time, RJW has grown substantially and now has approximately 425 staff across 10 locations. About 60% of its revenue is in personal injury litigation. It also has a strong employment law practice and a growing practice in family law. The main RJW offices are in London, Manchester, Sheffield and Birmingham.

The acquisition includes RJW's Claims Direct brand. Claims Direct is one of the UK's largest and best known claims management brands. It operates as essentially a marketing co-operative for a number of law firms. The legal enquiries derived from Claims Direct marketing are allocated to the members of the co-operative. Claims management companies are currently a prominent feature of the UK legal landscape.

The transaction is expected to be earnings and EPS accretive from year 1. For FY13, the first full year in the Slater & Gordon group, the combined RJW and Claims Direct revenue is forecast to be £53.0 million with earnings before interest, tax depreciation and amortisation ("EBITDA") of £10.9 million.

The United Kingdom has a similar legal jurisdiction to Australia, with an attainable target market estimated to be about 4-5 times the size of Slater & Gordon's Australian attainable target market. Regulations have recently changed to permit a range of Alternative Business Structures, including law firms being partially or wholly owned by non-legal practitioners. The UK is the second country in the world after Australia to permit the public listing of law firms.

"The UK market is inherently attractive to us because of its size and its jurisdictional similarities to Australia which the recent changes bring even closer into line," Slater & Gordon Managing Director Andrew Grech said.

"We have the huge advantage of having a five-year head start in operating in a listed environment and we can bring that experience to the UK through a kindred firm in RJW, which has the business structure and the people to exploit that advantage."

Slater & Gordon Ltd will incorporate a wholly owned subsidiary company in the UK, Slater & Gordon UK Ltd, to manage its operations there. RJW CEO Neil Kinsella will become CEO of Slater & Gordon's UK business. All senior RJW management will continue in their current roles.

Recently RJW bolstered its management bench strength by the appointment of COO Caoilinn Hurley who has more than 20 years of senior management experience including eight years at another major consumer legal firm.

“Slater & Gordon is the ideal partner for us,” Mr Kinsella said. “We share similar histories and business ethos and we have spent the past 12 months, while negotiations have been underway, collaboratively developing a strategy to make the most of the changes taking place in the UK from a legal regulatory and legal services market perspective.”

“One of the things that positively differentiates RJW in this new landscape is that through Claims Direct we have an additional and valuable route to the UK market,” Mr Kinsella added. “That gives us a lot more flexibility to shape the overall business to best suit the new market dynamics.”

“Our ambition is to become known as the most trusted brand for personal legal services in the UK. Joining forces with a leading and innovative law company will give us a lead on all of our competitors.”

The consideration for the acquisition will comprise payment of £36.4 million in cash (of which £8.8 million will be deferred for up to two years subject to performance milestones and £10.3 million will be used on completion to repay bank debt of the RJW partnership) and the issue of £17.4 million in Slater & Gordon shares, which is subject to restraints on sale for a minimum period of four years post completion.

The cash component of the consideration for the acquisition will be funded from the Slater & Gordon debt facility, which has been increased to \$160 million to cover this transaction and provide head room to fund the continued growth of the Australian business.

Subject to regulatory approval, the transaction is expected to be completed in early April. The business will trade as ‘Russell, Jones & Walker part of Slater & Gordon Lawyers’ from that date.

ENDS

www.slatergordon.com.au

For more information

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