



No challenge too great.

A photograph of a modern glass skyscraper with the Slater & Gordon logo on its facade, set against a clear blue sky. The image is partially obscured by a large blue geometric shape in the foreground.

Slater &  
Gordon

# Slater & Gordon Ltd (SGH) Expansion into UK Legal Market

30 January 2012

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## Launch into UK Market via Acquisition of Russell Jones & Walker

- ▶ Slater & Gordon to acquire Russell Jones & Walker, a leading UK law firm for GBP£53.8 million (AUD\$79.7m)<sup>1</sup>.
- ▶ Acquisition includes the Claims Direct brand.
- ▶ Over 12 months of extensive due diligence, complemented by a history of collaboration on litigation projects.
- ▶ Attractive acquisition metrics – FY13 EBITDA multiple 4.9x and EPS accretive FY13 of greater than 5%.
- ▶ Long standing client channels provide secure revenue base and strong platform for long term growth.
- ▶ Experienced local team with long term commitment minimises key person risk in UK and provides capacity to keep existing S&G team focussed on execution of Australian strategy.
- ▶ Completion early April 2012, subject to UK regulatory approval.

<sup>1</sup>Based upon AUD:GBP exchange rate of AUD \$1.00 = GBP £ 0.675 as at 30 January 2012

## Rationale for Expansion into UK Legal Market

- ▶ Delivers geographic expansion and diversification in market 4-5 times that of Australia's with similar legal jurisdiction.
- ▶ New platform for growth beyond current 2015 horizon with strong organic growth expected to continue.
- ▶ Recent UK legal regulation change provides first mover opportunity for Slater & Gordon to capitalise on its experience as world's first listed law firm.
- ▶ Opportunity to enter the UK market via a well aligned, established and investment ready partner.
- ▶ Slater & Gordon has experience and resources to execute.
- ▶ No external equity raising required and funded via new debt facility, deferred conditional consideration and vendor equity.

## Slater & Gordon's Relative Competitive Advantage in UK

- ▶ Track record of developing and sustaining a successful consumer legal brand:
  - No dominant law firm brand in personal injuries litigation in UK.
  - Claims management companies dominate landscape providing opportunity for legal brand to be established.
- ▶ 10 year history of operating as a corporate legal entity, with established finance, governance and marketing structures in place.
- ▶ Ability to adapt to the challenge of operating successfully in times of substantial changes to market dynamics.
- ▶ Already operating in different jurisdictions which require application of different skills.

## Overview of Russell Jones & Walker



Russell Jones & Walker  
Solicitors

- ▶ Established in 1920s.
- ▶ Over 425 staff across 10 locations in England, Wales and Scotland.
- ▶ Major offices in London, Manchester, Sheffield and Birmingham.
- ▶ 60% of revenue is derived from acting for claimants in personal injury litigation, with strong referral network.
- ▶ Well established employment law and criminal defence practice and growing practice in family law.
- ▶ Strong cultural alignment with Slater & Gordon.



RJW, CEO – Neil Kinsella



## Overview of Claims Direct

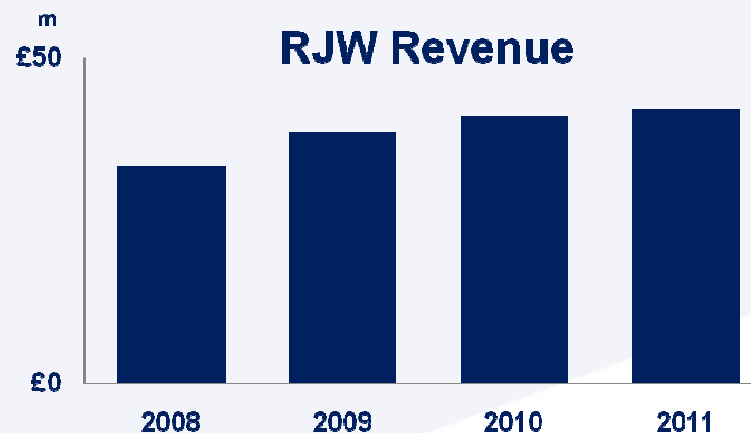


- ▶ Claims Direct is one of the UK's largest and best known claims management brands.
- ▶ Claims Direct operates as a marketing co-operative for a number of law firms. Legal enquiries derived from marketing are allocated to the members of the panel.
- ▶ Claims management companies are currently a prominent feature of the UK legal landscape.
- ▶ Claims Direct is currently the third most recognised legal brand in personal injury litigation in the UK<sup>1</sup>.

<sup>1</sup>Source: Datamonitor Report: Personal Injury Litigation in the UK 2011

## Financial Overview

- ▶ RJW Forecast GBP£53 million (AUD\$79m) revenue in FY2013.
- ▶ RJW EBITDA margin in FY2013 of 20%.
- ▶ Forecast annual revenue growth of 8% -10% p.a.
- ▶ Positive step change in operating cashflow returns
  - Difference in business mix (S&G 80% personal injuries, RJW 60% personal injuries).
  - The acquisition will improve the cashflow cycle due to structural difference between UK and Australian consumer legal services markets.
  - RJW cash flows from operations / NPAT approaching 90%, having positive impact upon S&G group cash flows



## Transaction Summary

- ▶ The transaction is the acquisition of the business of the existing RJW partnership, including its investment in Claims Direct, via UK subsidiary 'Slater & Gordon (UK) Ltd'.
- ▶ Slater & Gordon's debt facility has been increased to \$160m to cover this transaction and to provide headroom for continued Australian growth.
- ▶ Debt funding not expected to exceed Slater & Gordon's preferred range of 30% - 40% debt / equity ratio.
- ▶ Alignment of interests with more than 20 key RJW people to hold equity with restraints for 4 years or more.

|                                           |      | GBP<br>£m    | AUD <sup>2</sup><br>\$m |
|-------------------------------------------|------|--------------|-------------------------|
| Completion Date Cash Payment <sup>1</sup> |      | £27.7        | \$41.0                  |
| Deferred Cash Payments                    | FY13 | £6.0         | \$8.9                   |
|                                           | FY14 | £2.8         | \$4.1                   |
| Equity Issue to Vendors <sup>3</sup>      |      | £17.3        | \$25.6                  |
| <b>Total Cost</b>                         |      | <b>£53.8</b> | <b>\$79.7</b>           |

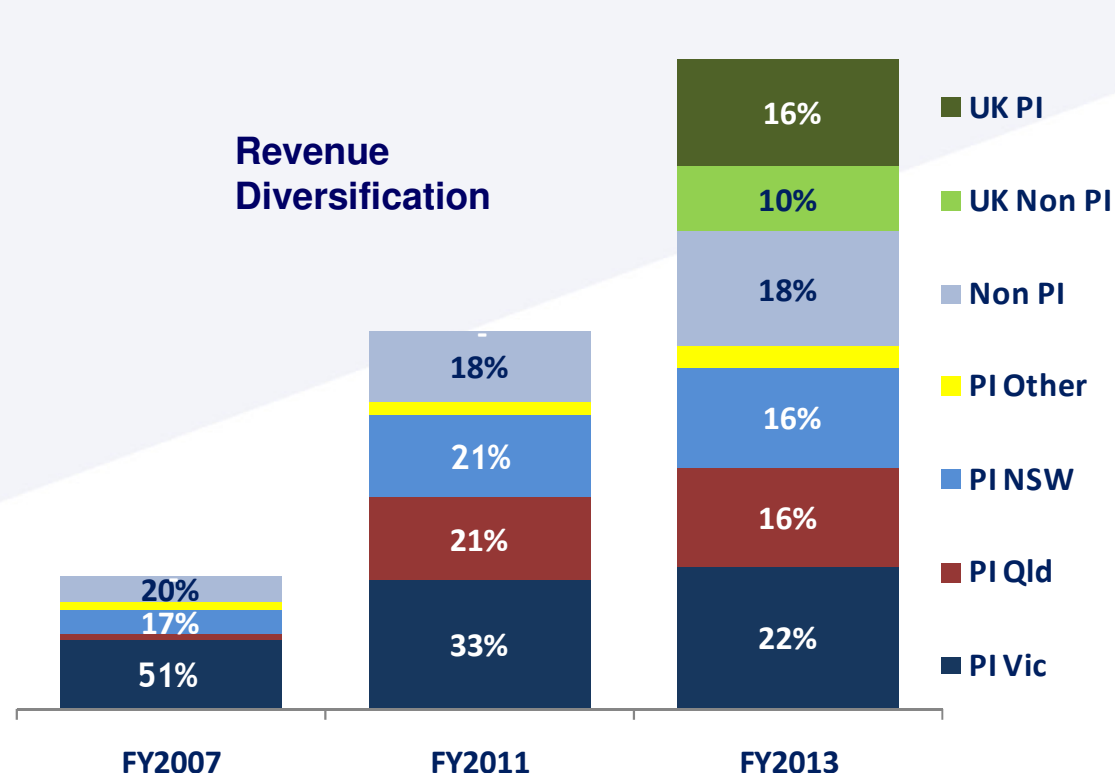
1. Completion payment includes the retirement of existing debt within the existing RJW partnership

2. Based upon AUD:GBP exchange rate of AUD \$1.00 = GBP £ 0.675 as at **30 January 2012**

3. Equity to be issued at VWAP at lower of announcement and completion at prevailing exchange rates

## Advantages of Jurisdictional and Geographic Expansion

- ▶ Scope of attainable target markets in UK is 4-5 times Australian market.
- ▶ Scope of markets in Employment Law & Criminal Defence and current business base of RJW provide immediate opportunity to alter risk profile of PI to non-PI.
- ▶ Diversification into new jurisdictions mitigates the risk of legislative change.
- ▶ Geographic diversification reduces risk of impact of localised economic conditions – especially for the non personal injuries practice groups for which there is significant growth forecast in Australia.



## Execution of Growth Strategy

- ▶ UK growth strategy will be focussed on organic growth, leveraging upon Russell Jones & Walker's already strong geographic and practice area diversification.
- ▶ Russell Jones & Walker already have significant corporate resources to drive growth:
  - Highly committed management with aligned interests supported by key external appointments including redeployment of 3 key senior Slater & Gordon staff.
  - Existing, well established risk management and quality assurance systems to be overlaid with Slater & Gordon governance framework.
- ▶ Claims Direct provides a strong brand in the UK claims management sector, providing flexibility to take advantage of potential UK market changes .

## Trading Update & Outlook

- ▶ Slater & Gordon FY12 guidance:
  - Revenue \$200m plus – weighted to second half.
  - Normalised<sup>1</sup> EBIT margin expected to be 24-25%.
  - Normalised<sup>1</sup> EBITDA margin expected to be 25.5-26.5%.
  
- ▶ Impact of Russell Jones & Walker Acquisition on FY12:
  - Based upon early April completion:
    - Additional \$16m revenue in FY12.
    - EBITDA and NPAT margins diluted marginally due to seasonality of UK business between April & June.
  
- ▶ **Consolidated Australian & UK Revenue forecast for FY12 \$220m plus with normalised<sup>1</sup> EBITDA of 24-25%.**

1. Normalised for transaction costs associated with acquisitions

## Significant Opportunity

- ▶ Delivers geographic expansion and diversification in market 4-5 times that of Australia's with similar legal jurisdiction.
- ▶ New platform for growth beyond current 2015 horizon with strong organic growth expected to continue.
- ▶ Recent UK legal regulation change provides first mover opportunity for Slater & Gordon to capitalise on its experience as world's first listed law firm.
- ▶ Opportunity to enter the UK market via a well aligned, established and investment ready partner.
- ▶ S&G has experience and resources to execute.
- ▶ No external equity raising required and will be funded via new debt facility, deferred conditional consideration and vendor equity.



Slater & Gordon, MD, Andrew Grech



# Corporate Snapshot

## Slater & Gordon Limited

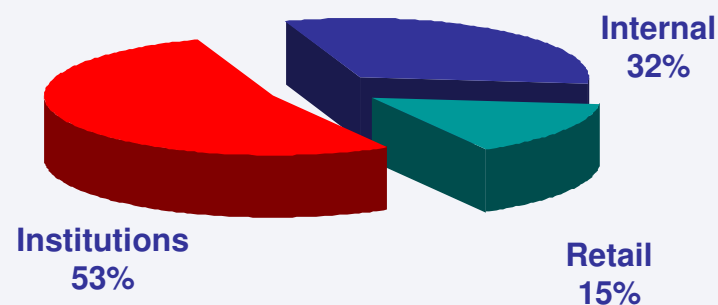
|                               |          |
|-------------------------------|----------|
| ASX Code                      | SGH      |
| Net Debt (Jun '11)            | \$43.7m  |
| Shareholders Equity (Jun '11) | \$195.4m |
| Employees                     | 1,150    |
| Shares on issue               | 151.3m   |
| Market Capitalisation         | \$268m*  |

\* Based upon share price of \$1.77 as at 27 January 2012

## Share Price Performance



## Shareholder Profile



## Board & Management

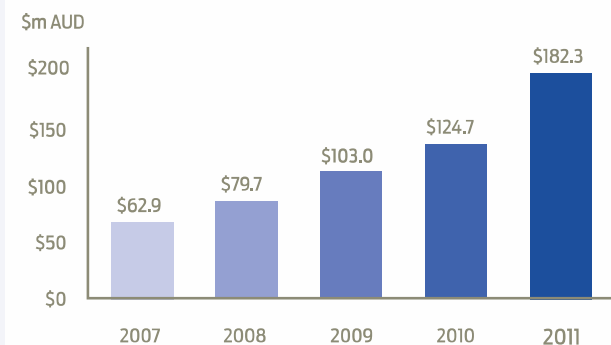
|                  |                         |
|------------------|-------------------------|
| Anna Booth       | Chair                   |
| Andrew Grech     | Managing Director       |
| Ken Fowlie       | Executive Director      |
| Ian Court        | Director                |
| Erica Lane       | Director                |
| John Skippen     | Director                |
| Wayne Brown      | Chief Financial Officer |
| Kirsten Morrison | Company Secretary       |

## Fact Sheet

### Growth and innovation

Slater & Gordon was founded in Melbourne in 1935 and is now one of the most recognised names in the legal industry in Australia. From the many landmark legal cases it has run and won to the controversial introduction of No Win – No Fee™ litigation in Australia and other legal initiatives, innovation has been a hallmark of Slater & Gordon's long history. The decision to list the firm on the Australian Securities Exchange (ASX) in 2007 set the legal practice on a trajectory of further growth, innovation and diversification. Today, Slater & Gordon is Australia's largest consumer law firm, with more than 1100 staff in 61 locations across the country and a turnover of more than \$A182 million in FY11.

### Revenue



### Corporate changes

Two significant corporate events have changed the firm dramatically since its humble beginnings in Melbourne, in 1935.

In 2001 Slater & Gordon was among the first law firms in Australia to incorporate; most law firms retain the traditional partnership model. And in 2007 Slater & Gordon was the first law firm in the world to list on a stock exchange, a move which attracted enormous interest from both the legal fraternity and investment community.

Slater & Gordon's stock was issued at \$1.00 on the ASX and grew rapidly in the months following the IPO. In 2011 it hit a high of \$2.50. Total Shareholder Return has been about 15% annualised to date, despite the global financial crisis and more recent volatility in equity markets.

## Fact Sheet

The \$A35 million raised in the float helped to fund marketing initiatives and new acquisitions. It also provided the opportunity to introduce an innovative employee ownership plan, with more than 100 staff members acquiring shares in the company through the plan.

The six directors on the Board of Slater & Gordon include four independent, non-executive directors, and two executive directors who are also lawyers. As well as a majority of independent directors, the Chair is independent. Currently one third of the Board positions are held by women; this includes the position of Chair.

The Board of the company recognises that a genuine commitment to sound principles of corporate governance is fundamental to the sustainability of the company and its performance.

Brand research in November 2011 showed that Slater & Gordon is Australia's best-known law firm with 61 per cent of respondents recognising the firm. The second placed law firm had 24 per cent recognition.

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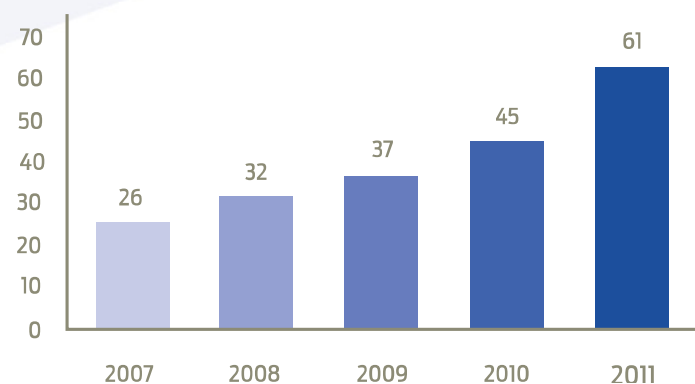
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### Growth and diversification

The decision to float has paved the way for rapid expansion nationally, through acquisitions and organic growth, and it has allowed the company to expand its range of legal services.

Between incorporating in 2001 and listing as a public company in 2007, Slater & Gordon acquired six other law firms. Since the 2007 listing on the ASX, Slater & Gordon has acquired 20 other Australian firms, including the major firms Trilby Misso in Queensland (June 2010), Keddies in New South Wales (October 2010) and Conveyancing Works Queensland (November 2011).

### Number of Locations



## Fact Sheet - Business

In the four years since the 2007 listing, the firm's turnover has grown from \$A63 million to \$A182 million, and staff numbers from about 400 to more than 1100. In BRW's Top 30 Law Firms, Slater & Gordon ranked number 11 in Australia in terms of revenue earned in FY11.



Today's legal company has come a long way from the business which started in a room in a union office in Melbourne in 1935. While it took 40 years after opening its first office for the firm to open its second, the firm now operates from 61 locations across Australia, due to the strategic mix of organic growth and acquisitions.

### **Innovation and diversification**

Within the legal profession Slater & Gordon is recognised as an innovator.

In 1994 the firm introduced No Win – No Fee™, where legal fees in personal injury cases are deferred and payable upon a successful outcome being achieved. With marketing and media support, the strategy lifted Slater & Gordon's share of Australia's national personal injury market. Recent growth has increased this even more.

In more recent years, Slater & Gordon has introduced a number of other innovative legal services including fixed fees for family law, the launch of an online wills service, and the introduction of RECOVER™ for people wanting to recover their losses due to bad financial advice.

The firm has broadened its range of legal services to consumers. The diversification outside personal injury work has been a deliberate business strategy in recent years. The acquisition of specialist conveyancing firm, Conveyancing Works in November 2011 has allowed Slater & Gordon to establish a beachhead from which to develop a significant share of the domestic conveyancing market in Australia over the next few years.

The firm operates its own, in-house information and referral service. In FY11 the firm received more than 80,000 calls from people with legal inquiries, and either helped them directly or referred them to other service providers.



No challenge too great.

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Gordon**

For further information visit  
[www.slatergordon.com.au](http://www.slatergordon.com.au)

or contact

**Matthew Jackson**

**Manager, Corporate Development**

Phone: (03) 9280 6980

Email: [mjackson@slatergordon.com.au](mailto:mjackson@slatergordon.com.au)