# FY12 Results Presentation

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# Key Points

- **$217.7m group revenue and 26.7% EBITDA* (normalised) for Australian business exceeds guidance after stronger H2**
- **Strong EPS growth (FY12 normalised* EPS up 10% year on year)**
- **Defensive growth characteristics – consistently outperforming ASX Small Ordinaries Index average**
- **Organic growth in core Australian Personal Injuries practice groups exceeded the target range of 5-7%**
- **Strategic diversification provides long term organic growth upside:**
  - UK business off to good start in line with expectations
  - Conveyancing and Family Law practices in Australia primed for double digit revenue growth
- **Cash flow from operations below guidance of 65-70% of NPAT* (normalised) due to billing being weighted to June 2012 more strongly than expected**
- **VIOXX – $10.5m write-down of WIP and disbursements impacting full year profit (non-cash impact)**

** Normalised for VIOXX impact and acquisition costs in FY12*

# FY12 – Business Highlights

- **Consolidated presence in Queensland and NSW post acquisitions of Trilby Misso and Keddies in FY11:**
  - Trilby Misso continuing to grow organically
  - Stronger second half by former Keddies practices – now integrated into Slater & Gordon NSW practice – provides solid platform for future organic growth

- **Expanded service offerings:**
  - Acquisition of Conveyancing Works, the largest specialist conveyancing firm in Australia and roll-out of new conveyancing model nationally on track
  - Family Law fixed fee product launched, nationally now the largest family law practice in Australia

- **Expanded into the UK via acquisition of Russell Jones & Walker:**
  - Delivers geographic expansion and diversification in market 4-5 times that of Australia
  - New platform for long term growth

- **Continued strong results in client and staff satisfaction surveys:**
  - Client satisfaction survey results show continuing improvement with achievement of 91% client satisfaction levels in most recent survey (March 2012)
  - Employee satisfaction survey results show continuing improvement satisfaction levels rising to 86% in most recent survey (April 2012)

# FY12 – Financial Results

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| | FY12 $M | FY11 $M | $M change | % change |
|---|---|---|---|---|
| **Revenue** | 217.7 | 182.3 | 35.4 | ↑19.4% |
| **Normalised EBITDA**(1) | 57.6 | 49.9 | 7.7 | ↑ 15.4% |
| **Normalised EBITDA Margin**(1) | 25.9% | 27.7% | | |
| **Normalised EBIT**(1) | 53.9 | 47.2 | 6.7 | ↑14.2% |
| **Normalised EBIT Margin**(1) | 24.2% | 26.2% | | |
| **Normalised NPAT**(1) | 33.4 | 28.9 | 4.5 | ↑15.6% |
| **Vioxx write-off / Acquisition Costs** | 12.0 | 1.4 | | |
| **NPAT (post Vioxx)** | 25.0 | 27.9 | (2.9) | ↓10.5% |

| | Cents | Cents | Cents change | % change |
|---|---|---|---|---|
| **Basic EPS** | 16.2 | 19.1 | (2.9) | ↓15.2% |
| **Basic EPS (Normalised)**(2) | 21.0 | 19.1 | 1.9 | ↑10.1% |
| **Diluted EPS (Normalised)**(2) | 20.4 | 18.3 | 2.1 | ↑11.5% |
| **Full Year Dividend** | 6.0 | 5.5 | 0.5 | ↑ 9.1% |

1. *Normalised for VIOXX impact in FY12 and acquisition costs in FY11 & FY12*
2. *Normalised for VIOXX impact in FY12 only*

# Track Record Since Listing

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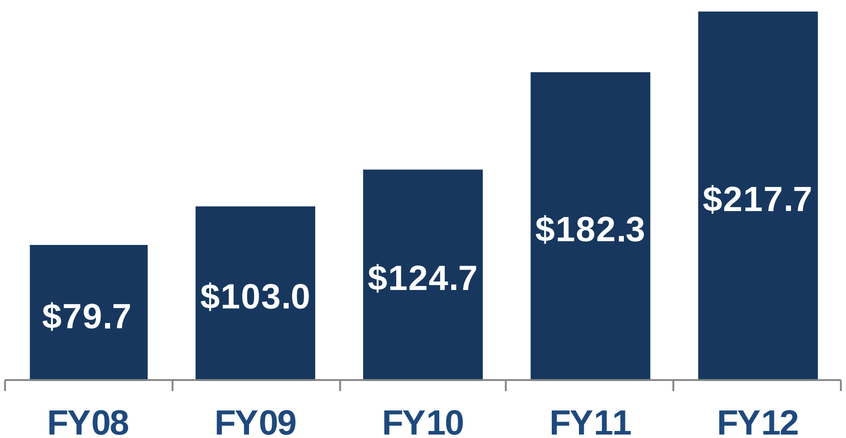
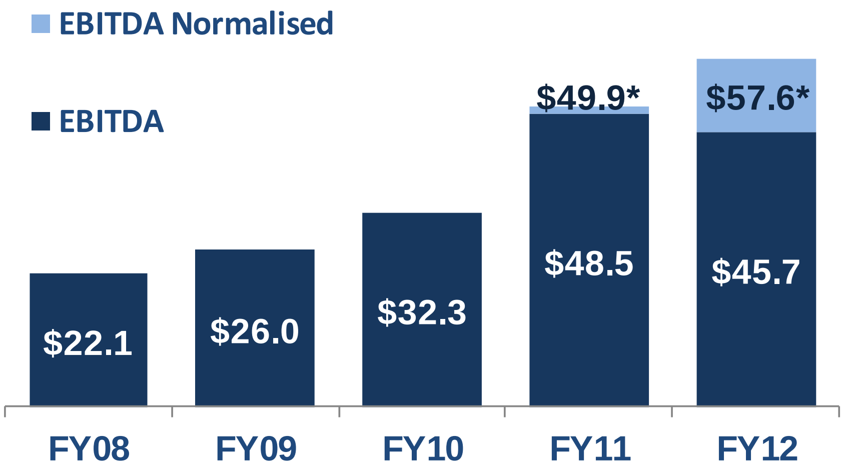
## REVENUE
## $m




**CAGR Revenue since listing 29%**

## EBITDA*
## $m




**CAGR EBITDA* (normalised) since listing 27%**

** EBITDA CAGR has been normalised for acquisition costs in each year and Vioxx (FY12)*

# Cash Flow Conversion

- Australian Cash Flow from Operations 50% of NPAT – below guidance range of 65%-70% due to increased billing in June
- Variance of 2.5% between average monthly seasonality and June 2012 equates to $6m in cash collections (fees, GST and disbursements) and when collected results in a CFOps of 69%

| | FY11 $M | FY12 $M |
|---|---|---|
| Normalised NPAT[1] | 29.4 | 32.9 |
| Cash Flow from Operations | 20.0 | 16.6 |
| Recovery of Abnormal June Billings | - | 6.0 |
| Adjusted Cash Flow from Operations | | 22.6 |
| % Recovery | 68% | 69% |

- Incremental improvement in targeted Cash Flow conversion in FY13:
  - Changed practice area mix in Australia with lower working capital requirements
  - New geographic area (UK) with beneficial cash flow impact on a full year basis
  - Disbursement funding moved to new external provider, reducing reliance on internally generated cash flow
  - Continued shift of class action funding requirements to third party litigation funders

# Strategic Priorities

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- **Australian Personal Injuries:**
  - Deliver steady organic growth notwithstanding competitive and legislative threats
  - Exploit scale to build efficiency
  - Provide internal funding program for accelerated organic growth in non-PI areas

- **Australian non-PI:**
  - Continued expansion to meet demands of clients for consumer legal services other than in personal injuries litigation
  - Continued emphasis on client and third party funded work to build predictable revenue growth in the non personal injuries litigation practices
  - Roll-out successful Conveyancing Works model nationally
  - Build profitability of national Family Law practice

- **UK:**
  - First priority is to settle business into the S&G group and deliver forecast results
  - Set stage for long term growth plans

# Financial Priorities

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- **Revenue:**
  - Deliver consistent 5% - 7% organic revenue growth in Australian Personal Injuries practices
  - Deliver 8% - 10% organic revenue growth in UK business
  - Build sustainable high growth national practices in Conveyancing and Family Law

- **Earnings Growth:**
  - Exploit scale efficiencies in Personal Injuries practice group to translate revenue growth into incrementally higher earnings growth
  - Build Family Law, Conveyancing and Wills to minimum EBITDA margin of 15% within two years

- **Cash:**
  - Over time cash from operations will improve by a combination of diversifying the business mix, use of external disbursement funding in personal injuries practices and litigation funding in the class action practice

# Outlook – FY13

- Australian PI business expected to continue to enjoy 5%+pa organic revenue growth
- UK business on track to achieve acquisition FY13 forecast revenue of $72m[1]
- Combined revenue target of $290m[1]
- EBITDA margin target of 24% - 25%
- Cash from Operations as a % of NPAT target >70%

*1. Assumption of GBP:AUD exchange rate of £0.65*

# Why Invest?

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- Strong financial performance since listing – against the general market trend
- Australian PI business continues to deliver predictable revenue and earnings growth
- UK business provides future growth platform in market 4-5 times that of Australia
- Potential to exploit S&G brand in Australian non-PI markets still largely untapped
- Financial metrics expected to further improve:
  - Incremental margin improvement in personal injuries practices through scale of Australian business
  - Less share dilution as M&A activity reduced
  - Cash flow from operations to trend up with changing business mix, new disbursement funding and class action litigation funding
  - Net debt to peak at $115m (well within banking covenants) and then reduce in FY14

*1. Assumption of GBP:AUD exchange rate of £0.65*

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# Appendix 1:
# FY12 – Financial Results (Aust vs. UK)

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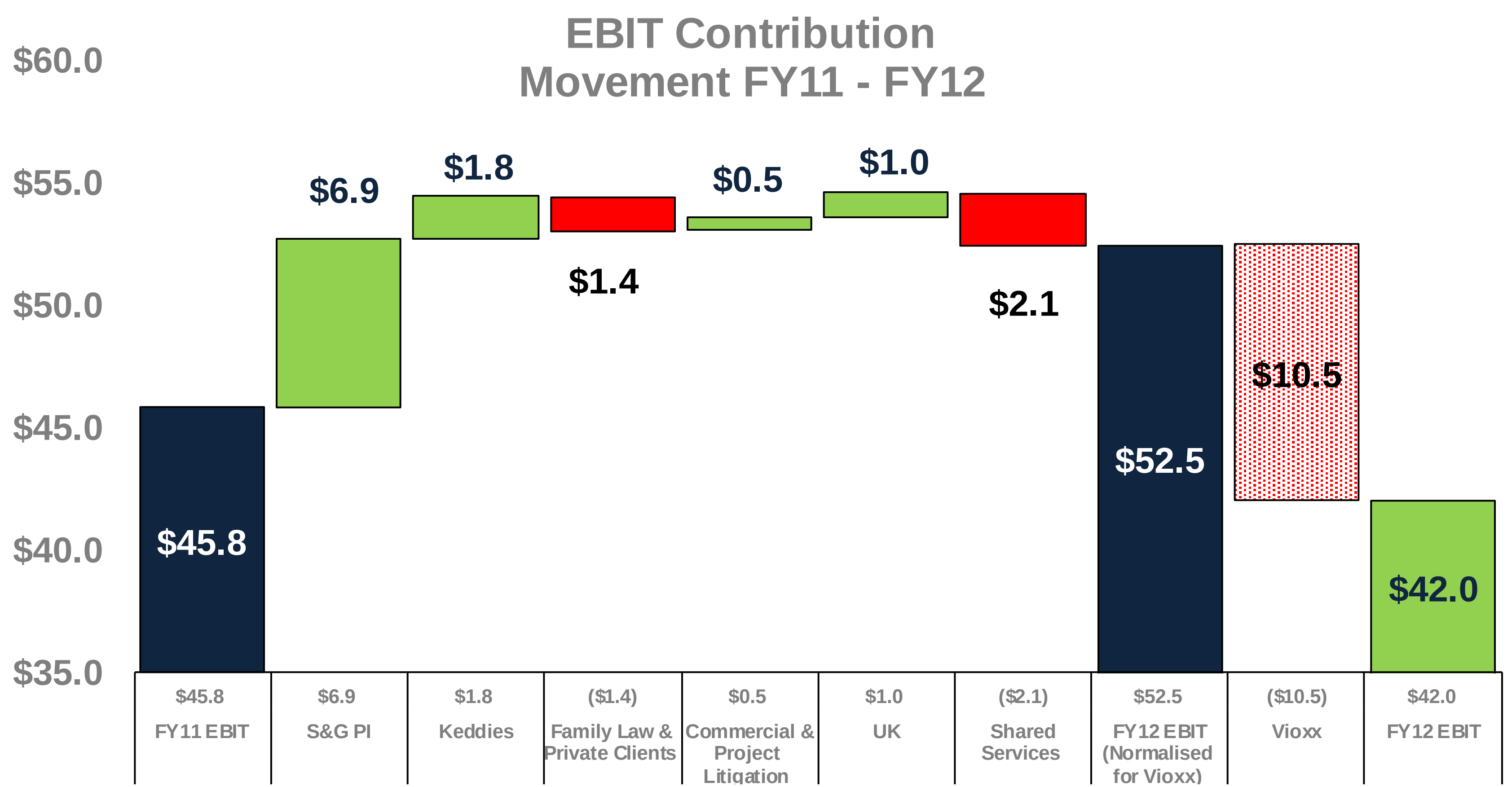
| | Aust FY 12 $M | UK FY 12 $M | FY 12 $M | FY 11 $M | $M change | % change |
|---|---|---|---|---|---|---|
| **Revenue** | 206.2 | 11.5 | 217.7 | 182.3 | 35.4 | ↑ 19.4% |
| **Normalised Revenue*** | 212.3 | 11.5 | 223.8 | 182.3 | 41.5 | ↑ 22.8% |
| **Normalised EBITDA*** | 56.2 | 1.4 | 57.6 | 49.9 | 7.7 | ↑ 15.4% |
| **Normalised EBITDA Margin*** | **26.7%** | **12.0%** | **25.9%** | **27.7%** | | |
| **Normalised EBIT*** | 52.9 | 1.0 | 53.9 | 47.2 | 6.7 | ↑14.2% |
| **Normalised EBIT Margin*** | **25.1%** | **9.0%** | **24.2%** | **26.2%** | | |
| **Normalised NPAT*** | **32.9** | **0.5** | **33.4** | **28.9** | 4.5 | ↑15.6% |
| **Vioxx write-off / Acquisition Costs** | 12.0 | - | 12.0 | 1.4 | | |
| **NPAT (post Vioxx)** | 24.5 | 0.5 | 25.0 | 27.9 | (2.9) | ↓10.5% |

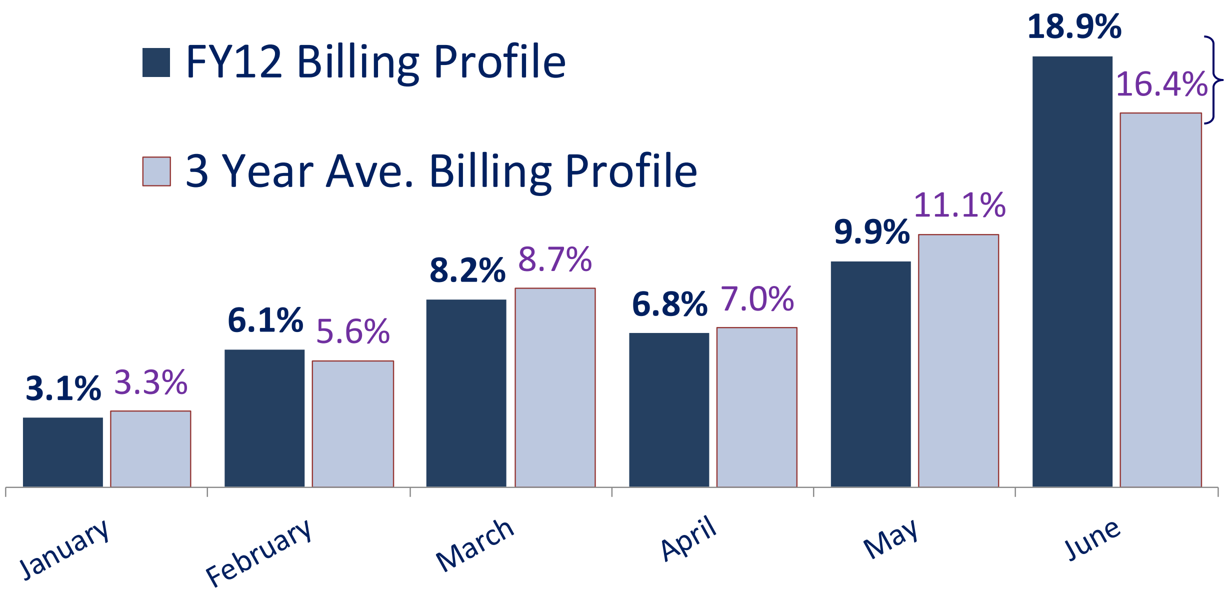
** Normalised for VIOXX impact and acquisition costs in FY12*

# Appendix 2:
# EBIT Bridge



# Appendix 3:
# Cash Flow Conversion - Seasonality

**Slater & Gordon Monthly Billing Profile (2nd half of Financial Year)**




Variance of 2.5% between average monthly seasonality and June 2012 equates to $6m (fees, GST and disbursements) and when collected results in a CFOps of 69%

# Appendix 4: Benchmarking Slater & Gordon

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| | FY10 | FY11 | FY12 | 3 Year Average | ASX Small Ords Industrials Average FY11 |
|---|---|---|---|---|---|
| Revenue Growth[1] | 21.1% | 46.2% | 19.4% | **28.3%** | **8.3%** |
| Earnings Growth[1,2] | 24.2% | 50.2% | (5.8%) | **20.6%** | **7.0%** |
| NPAT Growth[1] | 16.1% | 40.9% | (10.5%) | **13.4%** | **5.3%** |
| Return on Equity[1] | 13.5% | 14.3% | 10.3% | **12.7%[3]** | **3.7%** |
| Dividend Growth | 17.6% | 10.0% | 9.1% | **12.2%** | **8.3%** |
| EV / EBIT[5] | 6.7 | 8.4 | 7.7 | **7.6[3]** | **7.3** |
| EPS Growth | 12.6% | 6.7% | (6.3%) | **5.6%** | **0.5%** |
| | | | | | |
| 5 Year TSR | | | | **48.7%[6]** | **(9.3%)[4]** |

1. *FY12 includes write-down of Vioxx (i.e. not normalised)*
2. *EBITDA*
3. *Simple average of 3 years*
4. *ASX 300 Index used with average dividend yield per annum*
5. *As at 30 June*
6. *Based upon SGH share price of $1.93 on 22 August 2012 and 2012 final dividend of 3.0c*

# Appendix 5:
# Australian Personal Injury Practices

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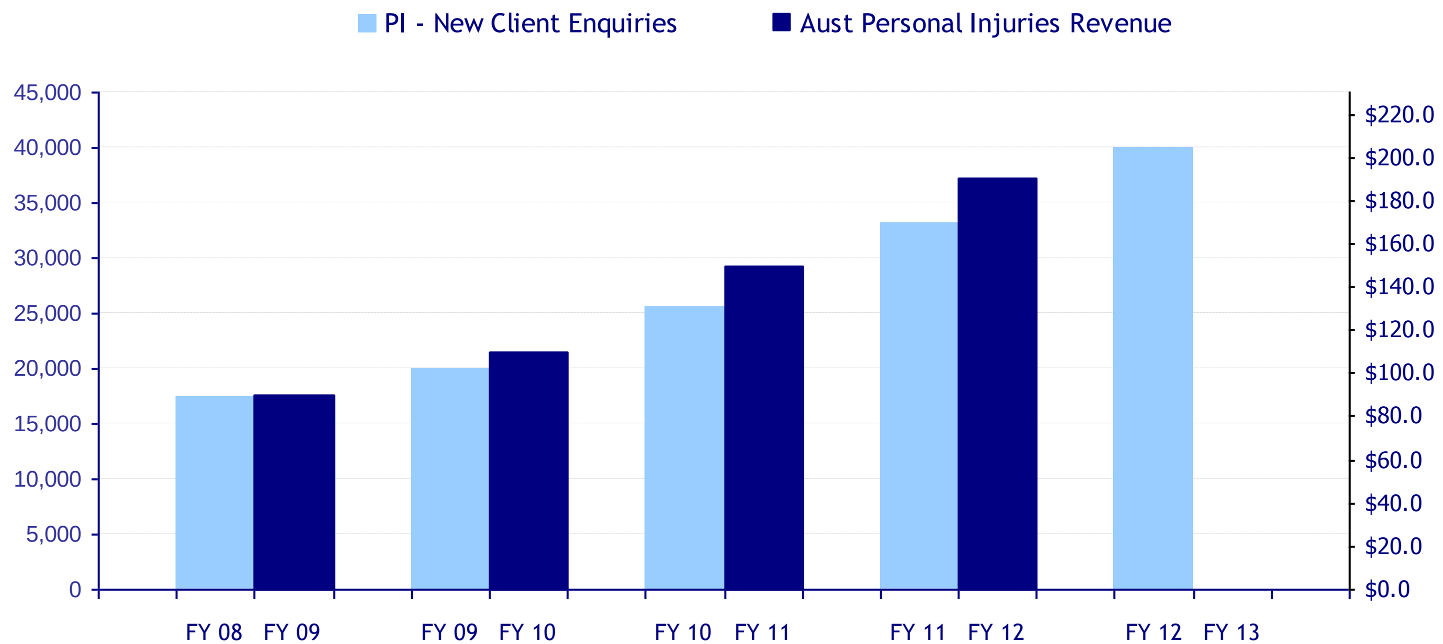
## Australian Personal Injuries Practice Groups
## Relationship of Enquiries to Revenue




- Average matter duration for PI matters approximately 2 years
- Strong correlation between enquires and growth in revenue

# Appendix 6:
## Balance Sheet

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| | FY12 | FY11 |
|---|---|---|
| Debtor Days[1] | 108 | 102 |
| Paid Disbursement Days[1] | 49 | 64 |
| WIP Days (PI) [1] | 351 | 369 |
| WIP Days (Non PI) [1] | 13 | 8 |
| WIP Days (Self Funded Projects) [1] | 8 | 21 |
| Net Debt/Equity | 42.8% | 22.3% |
| Interest Cover (times) [2,3] | 9.2 | 11.2 |
| Return on Equity[3] | 13.3% | 14.3% |

1. *Normalised for TML and Keddies transaction in FY11*
2. *Interest cover based upon interest payments to third parties (i.e. excludes notional interest on deferred consideration)*
3. *Normalised for Vioxx and acquisition costs*

# Corporate Snapshot
## Slater & Gordon

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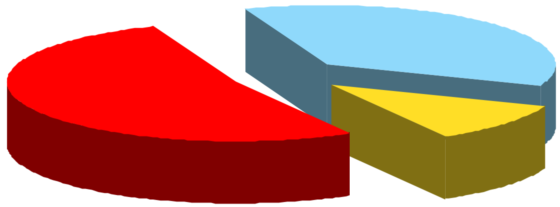
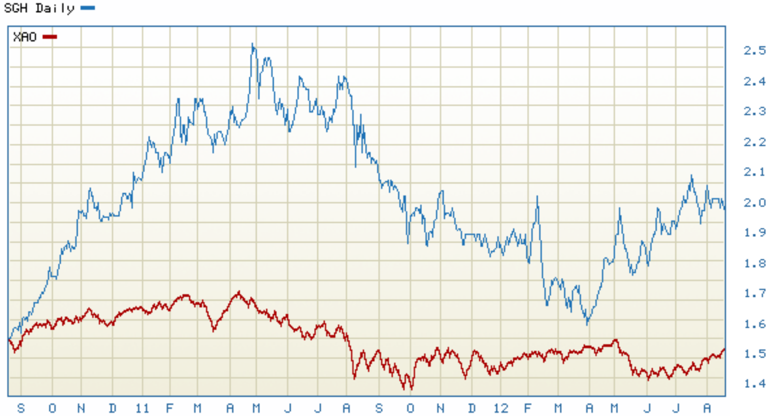
| | |
|---|---|
| ASX Code | SGH |
| Net Debt (Jun '12) | $104.2m |
| Shareholders Equity (Jun '12) | $243.2m |
| Employees | 1,350 |
| Shares on issue | 168.6m |
| Market Capitalisation | $325m* |

* Based upon share price of $1.93 as at 22 August 2012

### Shareholder Profile




### Share Price Performance




### Board & Management

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