

**SLATER
AND GORDON
GROUP**

H1 FY17 | Results Presentation

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Agenda

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H1 FY17 Results Overview

(A\$m)	H1 FY17	H1 FY16
Total Revenue	322.7	487.5
EBITDAW ¹	(11.2)	(58.3)
EBITDAW – normalised ²	7.8	(14.8)
Net Loss After Tax	(425.1)	(958.3)
Net Loss After Tax – normalised ³	(36.6)	(38.7)
Net Operating Cash Flow	(11.4)	(83.3)
Gross Operating Cash Flow – normalised ⁴	7.1	(58.1)

1 EBITDAW is defined as earnings before interest, tax, depreciation, amortisation and movement in work in progress and is presented prior to intangibles impairment.

2 Normalised for AASB3 adjustments, non-recurring restructuring costs, profit on sale of business, additional debtor/disbursement provisioning in H1 FY16.

3 Normalised for AASB3 adjustments, non-recurring restructuring costs, profit on sale of business, additional debtor/disbursement provisioning in H1 FY16, intangibles impairment, facility amendment fees, de-recognition of tax losses and tax impact of normalisations.

4 Gross Operating Cash Flow ("GOCF") is defined as net cash (utilised)/provided by operating activities before interest received, borrowing costs paid, income tax paid and payments to former owners. GOCF has been normalised for non-recurring restructuring payments to suppliers.

"EBITDAW", "EBITDAW – Normalised", "Gross Operating Cash Flow - Normalised" and "Net (loss)/profit after tax – Normalised" balances presented in this announcement are unaudited non-IFRS measures that, in the opinion of the Directors, are useful in understanding and appraising the Company's performance.

Financial Results:

Fee and Services Revenue by Segment¹

(A\$m)	H1 FY17	H1 FY16	% Var.
Slater and Gordon Lawyers (“SGL”) Australia	114.2	138.5	(17.5)
SGL UK	75.6	115.6	(34.6)
Slater Gordon Solutions (“SGS”)	140.7	234.1	(39.9)
Group	330.5	488.2	(32.3)

- Adverse Group variance is 21% on a constant currency basis
- SGL Australia declines in both PIL and GL
 - In PIL adverse variances in the workers compensation practice: particularly in Victoria and Queensland
 - In GL adverse variances recorded from the run-off of Conveyancing Works and from timing of large project litigation cases
- SGL UK decline of 18% in local currency terms due to underperformance in SSP and GL
- SGS decline of 25% in local currency terms due mainly to loss of key contracts in SGS Motor

1. Fee and services revenue is revenue from contracts with customers less movement in WIP

Financial Results:

Normalisation Adjustments

(A\$m)	H1 FY17	H1 FY16
EBITDAW – Reported	(11.2)	(58.3)
Normalisation adjustments:		
Payments to former owners (AASB3)	7.0	19.2
Non-recurring restructuring costs ¹	13.7	3.0
Additional debtor/disbursement provisioning/Audit Adjustments	-	21.3
Profit on sale of business	(1.7)	-
EBITDAW – Normalised	7.8	(14.8)

(A\$m)	H1 FY17	H1 FY16
Net Loss After Tax	(425.1)	(958.3)
Normalisation adjustments:		
Payments to former owners (AASB3)	7.0	19.2
Non-recurring restructuring costs ¹	13.7	3.0
Additional debtor/disbursement provisioning/Audit Adjustments	-	21.3
Profit on sale of business	(1.7)	-
Intangibles Impairment charge	350.3	876.4
Non-recurring finance costs	4.8	1.3
Tax implications of above	(4.3)	(1.6)
De-recognition of tax losses	26.6	-
Write-back of deferred tax liability	(7.9)	-
Net Loss After Tax – Normalised	(36.6)	(38.7)

1. Includes consultants costs, redundancy costs and UK property rationalisation costs.

Financial Results:

EBITDAW Normalised by Segment

EBITDAW Normalised (A\$m)	H1 FY17	H1 FY16	% Var.
SGL Australia ¹	5.7	19.4	(70.6)
SGL UK	(7.2)	(10.2)	(29.4)
SGS	9.3	(24.0)	-
Group	7.8	(14.8)	-

- Minimal currency impact on Group normalised EBITDAW
- SGL Australia revenue declines partially offset by reduced operating expenditure
 - Key cost savings were in labour, marketing and IT
- SGL UK improvement due to cost reduction flowing from the UK PIP
- SGS earnings improvement due to a smaller loss in NIHL and lower labour, marketing and property costs

1. Includes Group costs

Financial Results:

Cash Flow

(A\$m)	H1 FY17	H1 FY16	H2 FY16
Receipts from customers	421.6	533.0	523.8
Payments to suppliers and employees	(426.4)	(594.1)	(541.0)
Gross operating cash flow	(4.8)	(61.1)	(17.2)
Payments to former owners	(12.7)	(1.4)	(12.8)
Net Interest payments	(3.1)	(11.3)	(23.6)
Income tax received/(paid)	9.2	(9.5)	32.7
Net operating cash flow	(11.4)	(83.3)	(20.9)

- Net operating cash flow continued to improve but is still an outflow due to UK underperformance and non-recurring consultants costs
- After normalising for non recurring payments, H1 FY17 GOCF was a \$7.1m inflow (H1 FY16: \$58.1m outflow)

Segment Performance:

SGL Australia

(A\$m)	Fee and Services Revenue			Normalised EBITDAW			Margin%	
	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16
PIL	91.7	106.7	(14.1)	13.6	22.1	(38.5)	14.8%	20.7%
GL	22.5	31.8	(29.2)	(7.9)	(2.7)	(192.6)	(35.1)%	(8.5)%
Total	114.2	138.5	(17.5)	5.7	19.4	(70.6)	5.0%	14.0%

- PIL fees lower due to underperformance in Victoria and Queensland
 - Lower than expected settlement volume in VIC workers compensation mainly due to shift in counter party behavior
 - Queensland continuing to adjust to impact of workers compensation legislative reform
- GL fees lower due to deferred resolution of project litigation matters and Conveyancing Works run-off
- Normalised EBITDAW lower due to revenue declines partly offset by reduced labour and marketing costs

Segment Performance: SGL UK

(£m)	Fee and Services Revenue			Normalised EBITDAW			Margin%	
	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16
SSP ¹	32.0	40.8	(21.6)	(1.5)	(1.9)	(21.1)	(4.7)%	(4.7)%
GL	12.8	13.7	(6.6)	(2.6)	(2.6)	0.0	(20.3)%	(19.0)%
Total	44.8	54.5	(17.8)	(4.1)	(4.5)	(8.9)	(9.2)%	(8.3)%
Total A\$m	75.6	115.6	(34.6)	(7.2)	(10.2)	(29.4)	(9.5)%	(8.8)%

- Fee and services revenue impacted by pockets of underperformance in SSP and GL
- New client enquiries remained strong in SSP and satisfactory in GL
- Local currency EBITDAW improvement due to cost savings driven by UKPIP more than offsetting revenue declines from the smaller footprint

Segment Performance: Slater Gordon Solutions

(£m)	Fee and Services Revenue			Normalised EBITDAW			Margin%	
	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16	%Var	H1 FY17	H1 FY16
Claims incl NIHL	44.6	49.5	(9.9)	2.6	(19.0)	-	5.8%	(38.4)%
Health & Motor	38.3	60.9	(37.1)	3.7	7.7	(51.9)	9.7%	12.6%
Total	82.9	110.4	(24.9)	6.3	(11.3)	-	7.6%	(10.2)%
Total A\$m	140.7	234.1	(39.9)	9.3	(24.0)	-	6.6%	(10.3)%

- Claims (incl NIHL) fees lower due to fewer RTA settlements on reduced case intake since Dec 2015 and staff turnover reducing overall case handler effectiveness
- Health & Motor fees lower due to loss of Swinton and DLG contracts and Crusader sale. Health revenue lower on reduced intake into Claims
- Claims (incl NIHL) EBITDAW improvement due to cost savings in NIHL as the practice was refocused and labour, marketing and property savings as a result of the PIP
- EBITDAW declined in both Health and Motor due to the impact of contract losses in Motor and lower referral volumes in Health

UK PIP: Achievements to Date

Net savings of £35m achieved in H1 FY17

Pillars	Achievements
Streamline organisational design and operations	- Re-organisation of legal services businesses largely complete. 20% headcount reduction without disruption to client service. - Re-organisation of 48 sites, ceasing operations at 18. - Procurement and IT savings.
Rationalise marketing and new business investment	Substantially meeting case intake and brand awareness expectations despite reduced overall investment and tighter intake business rules.
Enhance process and systems	- Over 20 IT development projects implemented. - Legal services workflow development near completion. - Cash management system implemented.
Support colleagues through change	- Face to face communication at key milestones. - Introduction of company wide intranet and social media platform.

H2 Priorities and Operating Environment

Priorities

- Agree recapitalisation plan with lenders by 26 May 2017
- Execute agreed plan with approval of stakeholders
- Continue restoring earnings and cash flow:
 - Ongoing delivery of UKPIP
 - Australian operational effectiveness initiatives

Operating Environment

- UK remains uncertain
 - Legislative change – RTA, Clinical Negligence
- Australia stable

Other Matters

Watchstone Group Plc

- £50m remains in escrow until claims resolved by parties
- Deadline for filing claims 19 June 2017

ASIC Investigation

- Initial information provided to ASIC on specified dates as requested
- Co-operating to fullest extent

Shareholder Class Action

- Defence to be filed by 27 April 2017
- Court proceedings will be complex and protracted

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