

ASX Announcement

21 September 2020

Corrigendum

Slater & Gordon Ltd FY20 Full-Year Financial Results Announcement and Investor Presentation

Slater & Gordon Ltd (“**Slater & Gordon**” or “**the Company**”) (**ASX: SGH**) refers to its FY20 Full Year Financial Results Announcement and Investor Presentation both dated 27 August 2020.

The Company’s Gross Operating Cash Flow^{1,2} for FY20 and the prior comparative period (PCP) referred to in both documents were incorrectly calculated.

The Company’s correct Gross Operating Cash Flow^{1,2} for FY20 was \$24.1m compared to \$16.4m in the PCP.

A corrected Investor Presentation is attached.

ENDS

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1. Normalised for the impact of adopting AASB 16 on 1 July 2019
2. Adjusted for specified items which are certain cash and non-cash items relating to transformation and normalisation of the Company

Results Announcement

August 2020



John Somerville
Chief Executive Officer

Scott Butterworth
Chief Financial Officer

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All financial performance analysis in this presentation is based on publicly available information up to and including the Slater and Gordon's results for the year ended 30 June 2020.

Slater and Gordon will not be providing any forecasts, forward looking statements or guidance in relation to its results beyond the year ending 30 June 2020.

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FY20 highlights

Strong results - despite Covid-19

+ 12%
\$172.4m

Net revenue ¹

+ 61%
\$28.1m

EBITDA ²

+ 47 %
\$24.1m

Gross Operating
Cashflow ³

- 26 ppt
17%

Net gearing ⁴

+ 5pts
24

Net Promoter
Score ⁵

+ 9%
+55%

Staff engagement ⁶

~\$1b

Claims settled
for clients

+38%

PIL enquiries

+5%

Net PIL matter
growth

15

Active Class
Actions

¹ Growth based on FY19 adjusted for impact of adopting AASB 9

² EBITDA before specified items as set on p22. Excludes effects of adopting AASB 16 on 1 July 2019

³ Gross operating cash flow excludes impact of adopting AASB 16 on 1 July 2019, and excludes cash specified items in FY19 and FY20

⁴ Debt excluding lease liabilities – cash / Total assets

⁵ Source – Kantar Group, May 2020

⁶ Source – Kincentric, May 2020

Market

Significant opportunity



Revenue pool^{3 4}

Personal
Injury
Law¹

~\$1.6bn

Avg. historical PIL
industry revenue p.a.



Market growth⁵

~0-0.5%

Median industry revenue
growth p.a. Civil segment
growing at ~2x overall market



Market structure^{3 4}

~2,000

Fragmented industry with
many smaller competitors



Competitive landscape^{3 4}

~10%

Depicts SGH's market
share in PIL segment

Class
Actions²

~\$240m

Average per annum in
plaintiff settlements

~3-12%

Annual growth in
Class Action filings

~77%

The majority of all fees
paid to three firms

2nd

Represents SGH's market
share ranking in the
class action segment

¹ Includes Medical Negligence, Public Liability, Asbestos and Superannuation/TPD matters

² Includes mass torts, consumer protection, product liability, and employee rights

³ IBIS World Industry Report OD5519

⁴ Australian Law Reform Commission – Report 134

⁵ Combination of (3), (4) and company estimates

Note: Class actions data based only on Federal Court actions from 2013-18

Platform for strong growth

Iconic brand, focused



Iconic and trusted brand

- + 85 years of caring for Australians' rights
- + #1 prompted and unprompted recall ¹
- + Net Promoter Score of 24 ²
- + 79% client satisfaction ²



Outstanding franchise

- + ~ 10% PIL market share
- + # 2 ranked Class Actions firm
- + ~17,000 PIL clients
- + Representing 55k class action clients



Deep physical networks

- + ~40 sites in VIC, NSW, QLD and WA
- + Covers ~ 75% of chosen market
- + Unions and other referral relationships



Highly focused

- + Personal Injury – 88% of revenue
- + Class Actions – 8% of revenue
- + Emerging Services ³ – 4% of revenue



Skilled, diverse team

- + ~ \$700m in PIL client settlements
- + ~ \$250m in Class Action settlements
- + 77% female / 23% male workforce



Market leading digital assets

- + On-line claim assessment tool
- + Out-bound digital capability
- + 21.5k visitors per month

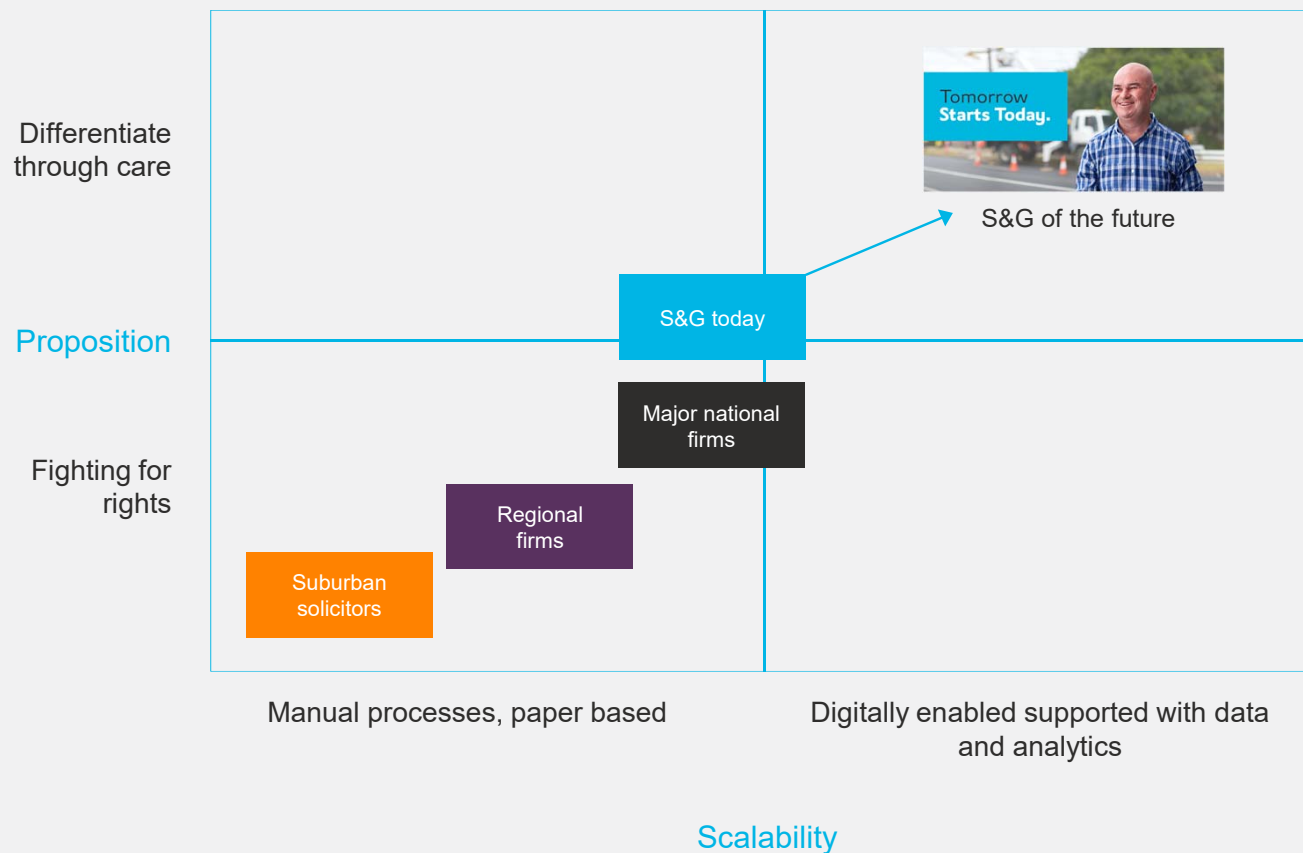
¹ Source – Audience Group, May 2020. # 1 Prompted and Unprompted brand awareness across Personal Injury law firms in VIC, NSW and WA

² Source – Kantar Group, May 2020

³ Compulsory Acquisition, Industrial and Employment, Other Litigation

How we win

Differentiated proposition, advantaged business model



Client care built into cultural DNA

- + Only law firm with its own social work team

Personal injury growth opportunity

- + Civil segments – growing at ~ 2x market
- + Fragmented market

Class actions

- + High growth, favourable dynamics

Advantaged unit costs

- + Digital
- + Analytics

Clear strategy aligned to our clients and values

What we do



We **access justice** for all people. We champion voices struggling to be heard.

How we work



We unite to treat every client with **care and commitment**

Why we do it



We **make tomorrow better** than today for our clients

How we will win



Differentiate through our **care**

Passionate and skilled, acting as **one team**

Simplify and digitize our processes

Explore and Grow into our **opportunities**

How we see success



Client advocacy

Engaged team

Leading reputation

Growing share of target markets

Sustainable, investing in our communities

Our non-negotiables



Client focus in all we do

Live our values – take the lead, do it right, work well with others

Digitally powered

Sound governance and risk management

Strong balance sheet and cashflows

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Earnings overview

Strong revenue growth, investing in the business

Excluding AASB 16 impacts (\$'000) ¹	FY20 Base – ex AASB16 ²	FY19 Base	Change
Net operating revenue before specified items	172,396	153,541	12%
Ordinary operating expenses	(144,263)	(136,049)	6%
EBITDA before specified items	28,133	17,492	61%
Specified items ³	(14,462)	(2,257)	Large
EBITDA	13,671	15,234	(10%)
NPAT including other income and discontinued	(565)	31,260	Large

Net revenue

- + \$4.8m fee increase in Class Actions and other Emerging Services, due to strong Class Action settlements
- + \$0.5m increase in PIL fees, with higher average case fees offset by lower settlements
- + \$15.8m change in WIP due to improved PIL quality and new files
- + BDDs improved by \$1m, reflecting stronger collections capability and debtor management

Including AASB 16 impacts (\$'000) ¹	FY20 Base - with AASB 16	FY19 Base	Change
Net operating revenue before specified items	172,396	153,541	12%
Ordinary operating expenses	(137,069)	(136,049)	1%
EBITDA before specified items	35,327	17,492	102%
Specified items ³	(14,462)	(2,257)	(541%)
EBITDA	20,865	15,234	37%
NPAT including other income and discontinued	(1,185)	31,260	Large

Ordinary operating expenses

- + \$6.6m labour growth, mainly due to investments and normalisation of leave and bonuses
- + \$1.7m increase in non-labour costs, driven primarily by marketing

Specified items

- + \$4m increase due to establishing LTIP
- + \$1m increase due to restructuring charges
- + \$7m impact of non-recurring AASB 9 adoption benefits in FY19

¹ See pp 22 and 23 for reconciliation of statutory to base presentation

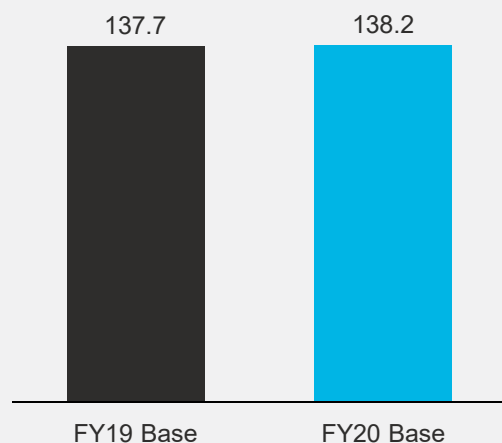
² To assist comparability with FY19, FY20 restated as if AASB 16 not adopted on 1 July 2019

³ See p 22 for definition of specified items

Net fees

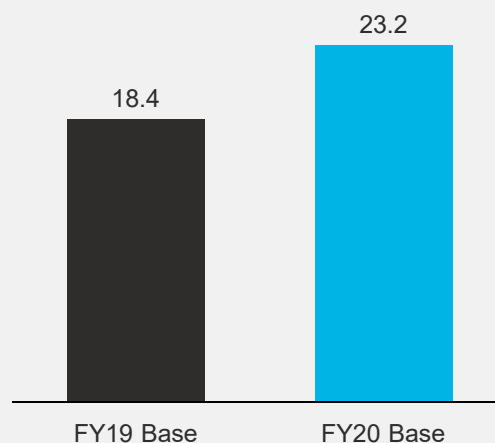
Class Action growth, better BDD management

Personal Injury fees ¹ (\$m)



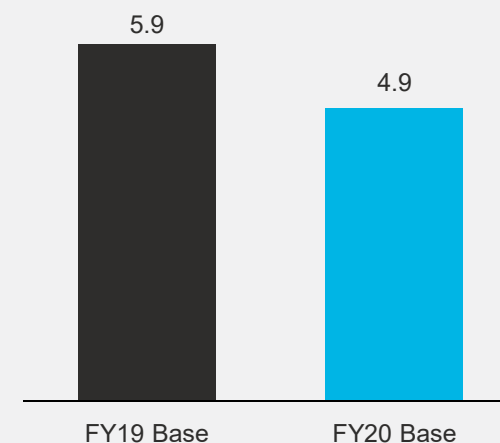
- + Settlements down 5%
- + Fees per settlement up 6%, reflecting stronger business mix

LES fees ^{1 2} (\$m)



- + Class Actions fees up 43% reflecting strong settlement performance
- + Offset by 5% reduction in other General Law fees

Bad and Doubtful Debts¹ (\$m)



- + Reflects strengthened collections capability implemented in FY20
- + Average 90+ dpd ratio declined by 8 ppt

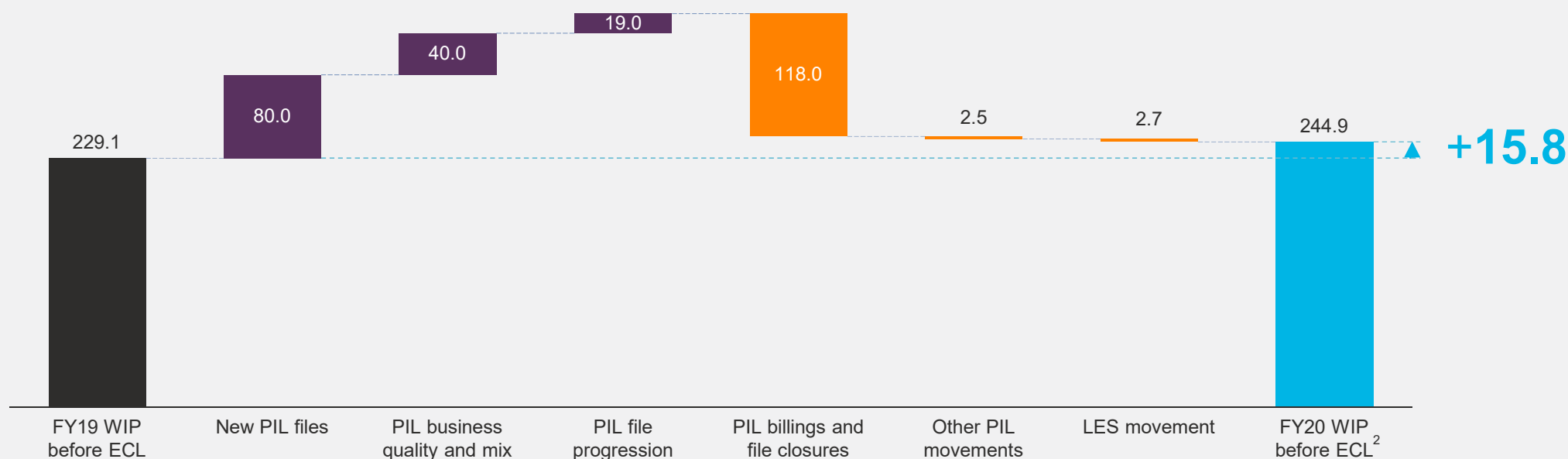
¹ See pp 22 and 23 for reconciliation of statutory presentation to base presentation

² Litigation and Emerging Services. Class Actions, Industrial and Employment, Other Litigation

Change in WIP

New PIL files and better PIL quality

Movement in Work In Progress for Personal Injury and LES¹ (\$m)



- + Active net PIL file growth of 5% due to improved marketing mix
- + WIP per file up due to better file progression and business quality (success rate, average fees, and practice mix)
- + LES movement mainly due to Class Action settlements, partially offset by movements in other LES practices

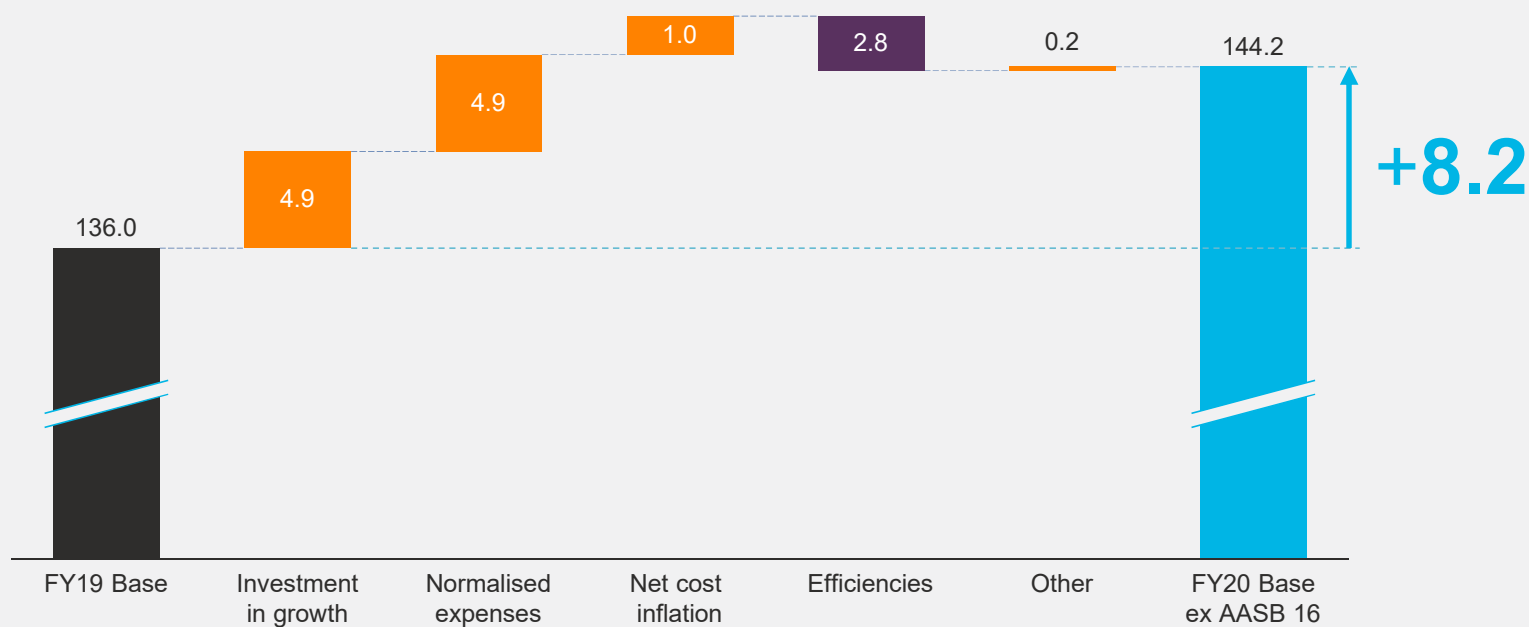
¹ Litigation and Emerging Services. Class Actions, Industrial and Employment, Other Litigation

² Balance excludes impact of assets held for sale

Expenses

Investing in growth, normalisation effects and efficiencies

Ordinary Operating Expense Movement ¹ (\$m)



- + Growth investments in additional marketing and labour for Civil and Class Action practices
- + Normalised expense growth due to movement in leave and STI provisions, and unwind of onerous lease provisions
- + Cost inflation due to rent increases and wage growth
- + Efficiencies due to streamlining legal practices, managing occupancy outgoings and administrative costs, and marketing channel mix efficiencies

¹ See pp 22 and 23 for reconciliation of statutory presentation to base presentation

Balance sheet

Less net debt

As reported (\$'000)	FY20	FY19	Change
Cash	26,461	12,633	13,828
Receivables	85,182	83,987	1,195
Net WIP	239,213	223,655	15,558
PPE	3,643	6,630	(2,987)
Right of use asset	19,705	NA	19,705
Other	14,358	11,857	2,501
Total	388,562	338,762	49,800
Payables	63,722	58,466	5,256
Borrowings	91,850	158,649	(66,799)
Leases	32,295	NA	32,295
Deferred tax	15,219	13,901	1,318
Provisions	23,143	23,594	(451)
Total	226,229	254,610	(28,381)
Net assets	162,333	84,152	78,181

Assets

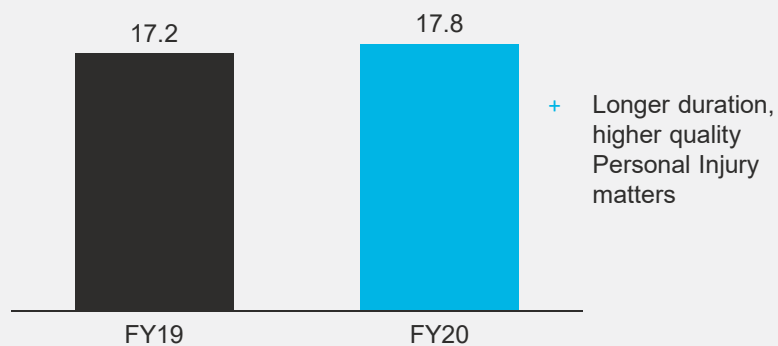
- + \$14m cash increase due to improved operating performance and working capital management
- + \$16m WIP movement, mainly due to higher PIL WIP (new files and quality), offset by Class Actions run-off
- + \$3m reduction in PPE due to amortisation, offset by investments captured in ordinary operating expense line
- + ROU asset recognised on AASB 16 adoption

Liabilities

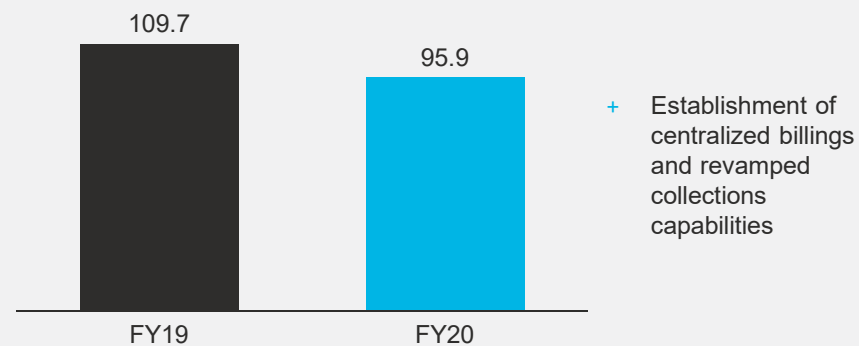
- + \$5m increase in payables due to better working capital management
- + \$68m reduction in borrowings primarily due to rights issue in 1H20
- + \$33m lease liability due to adopting AASB 16

Working capital More efficient

WIP turnover (months) ¹



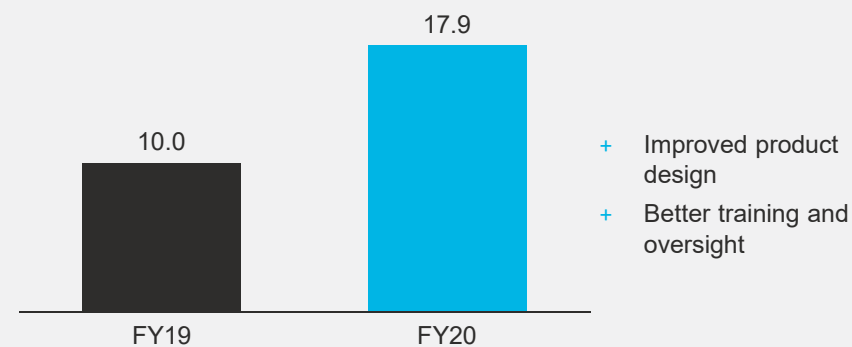
Debtor Turns (days) ²



Average 90+ days past due ratio (%) ³



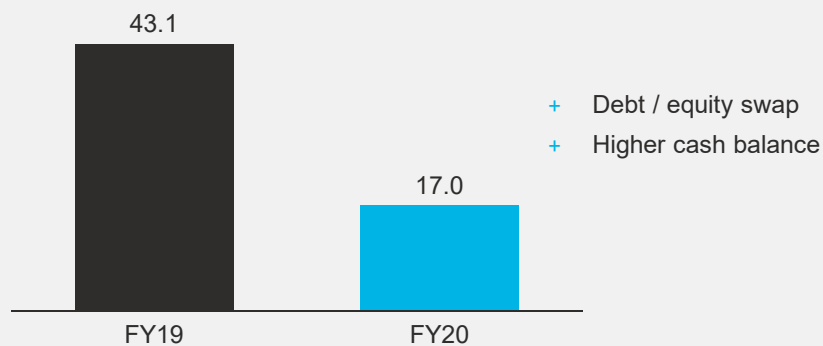
Third Party Funded Disbursements (\$m) ⁴



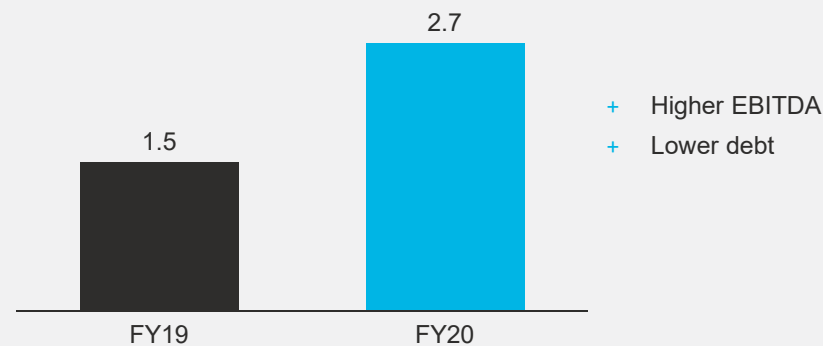
¹ Average WIP / Gross Fees x 12. ² Average gross trade debtors / Gross Fees x 365. ³ Average of daily ratios for each year. ⁴ Year end third party funding balance

Balance sheet structure Stronger

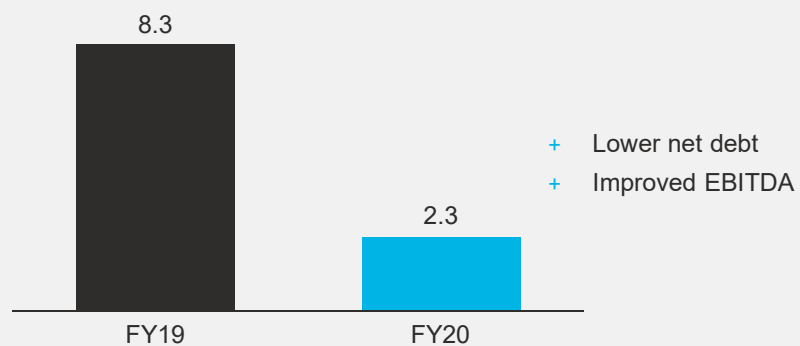
Net Gearing (%) ¹



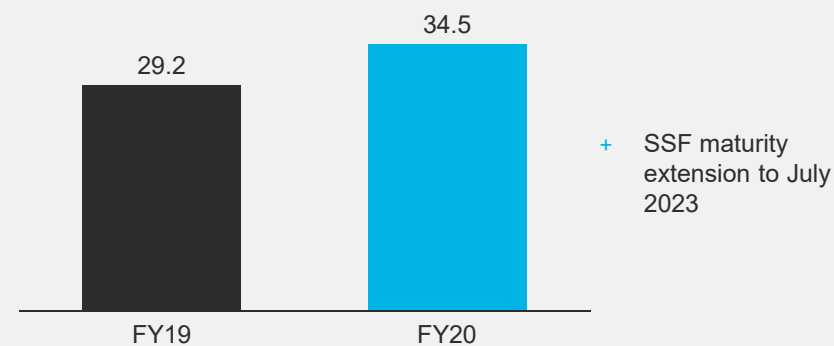
Interest Coverage (x) ²



Net Debt / EBITDA (%) ³



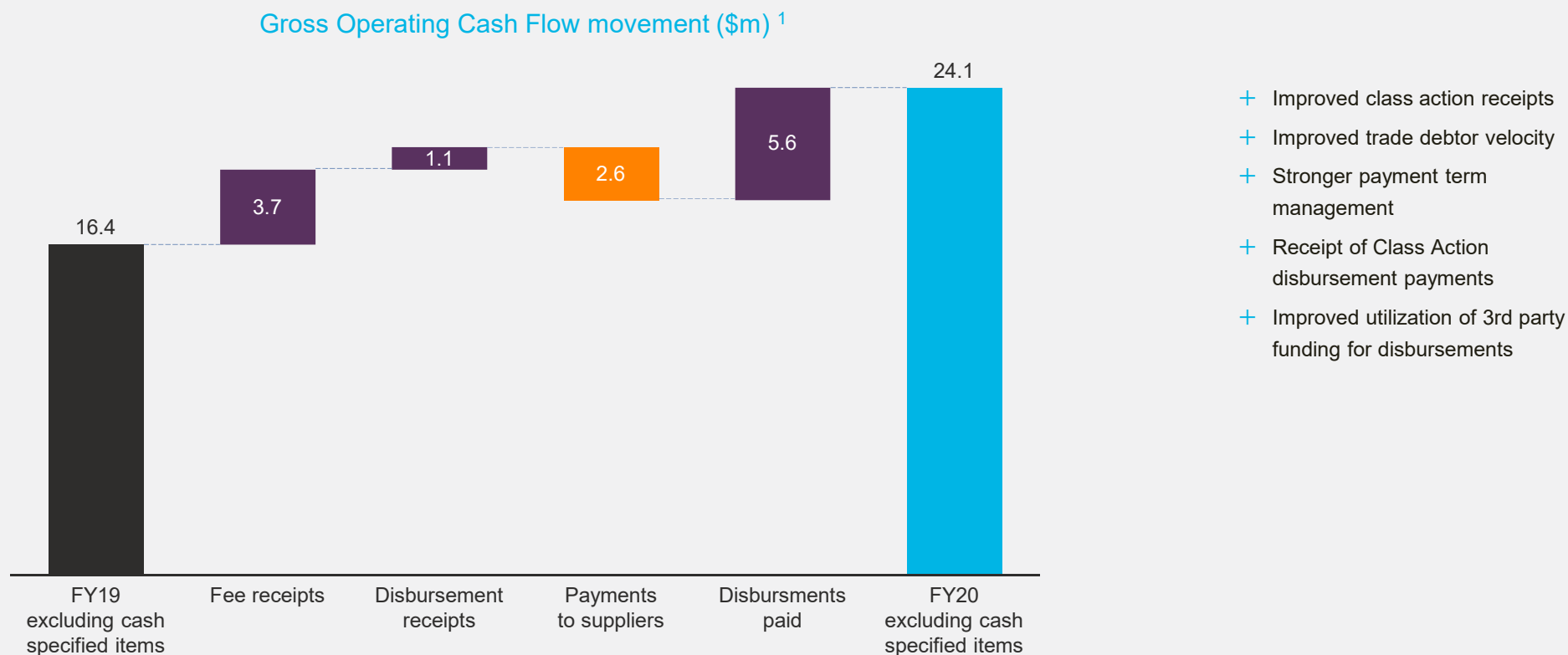
Weighted Average Time to Maturity (Months) ⁴



¹ Total interest bearing debt excluding lease liabilities – cash / Total assets. ² EBITDA excluding specified items and AASB 16 impacts / Finance charges excluding imputed lease interest. ³ Total interest bearing debt excluding lease liabilities – cash / EBITDA excluding specified items and AASB 16 impacts. ⁴ Based on time to contractual maturity from balance date, weighted by value of debt. Excludes lease liabilities

Gross Operating Cashflow

Benefiting from better profitability and working capital management



¹ FY20 supplier payments adjusted as if AASB 16 not adopted on 1 July 2019, and FY19 and FY20 adjusted to remove effect of cash settled specified items as set out p 22

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Concluding remarks

Driving growth and building advantage



~\$1.6b+ market – fragmented and inefficient



Iconic brand, focused business model



Growth through differentiation



Keep getting the basics right



Build scaleability – digital and analytics

Appendix



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Reconciliation of PBT to EBITDA before specified items ¹

\$'000	FY19	FY20 as reported	FY20 AASB 16 adjusted ²
Profit before tax – excluding discontinued	(141)	(199)	686
Add: Depreciation and amortisation	4,402	9,444	3,800
Add: Finance charges	11,884	12,712	10,277
Deduct: Other income	(911)	(1,093)	(1,093)
EBITDA	15,234	20,865	13,671
Add: Specified items			
IFRS 9 adoption effects	(7,210)	0	0
Bonuses, retention and LTIP establishment	906 ³	5,028	5,028
Redundancy costs	1,077 ³	2,073 ³	2,073 ³
Transformation expenditure	7,484 ³	7,361 ³	7,361 ³
Total specified items	2,257	14,462	14,462
Total EBITDA excluding specified items	17,492	35,327	28,133

¹ See pp 24 and 25 for reconciliation of statutory presentation to base presentation

² FY20 adjusted as if AASB 16 not adopted on 1 July 2020

³ Partly or wholly cash item. Total cash impact of specified items in FY19 = \$9,264k, FY20 = \$8,877k

EBITDA schedule

\$'000	FY19 Base	FY20 Base – including AASB 16 impacts	FY20 Base – excluding AASB 16 impacts
Fee revenue	156,092	161,407	161,407
Change in Work in Progress	3,369	15,839	15,839
Bad and doubtful debts – ex specified items	(5,920)	(4,850)	(4,850)
Net operating revenue	153,541	172,396	172,396
Labour – ex specified items	(90,729)	(97,279)	(97,279)
Occupancy	(8,744)	(1,766)	(8,960)
Marketing, advertising, business development	(9,584)	(11,207)	(11,207)
Administration and office expenses	(18,375)	(17,992)	(17,992)
Other expenses – ex specified items	(8,617)	(8,824)	(8,824)
Total expenses – ex specified items	(136,049)	(137,069)	(144,263)
EBITDA excluding specified items	17,492	35,327	28,133
Specified items	(2,257)	(14,462)	(14,462)
EBITDA	15,234	20,865	13,671

Reconciliation of FY19 statutory to adjusted FY19

\$'000	FY19 Statutory	Change contracting	Labour specified items	Transformation specified items	AASB 9 adoption impact	FY19 specified items
Fee revenue	156,092					156,092
Change in Work in Progress	3,369					3,369
Bad and doubtful debts – ex specified items	1,290				(7,210)	(5,920)
Net operating revenue	160,751				(7,210)	153,541
Labour – ex specified items	(93,696)	984 ¹	1,983 ²			(90,729)
Occupancy	(8,744)					(8,744)
Marketing, advertising, business development	(9,584)					(9,584)
Administration and office expenses	(18,375)					(18,375)
Other expenses – ex specified items	(15,118)	(984)		7,484 ²		(8,617)
Total expenses – ex specified items	(145,517)	-	1,983	7,484		(136,049)
EBITDA excluding specified items and other income	15,234	-	1,983	7,484	(7,210)	17,492
Add / (Deduct) specified items	-		(1,983)	(7,484)	7,210	(2,257)
EBITDA	15,234	-	-	-	-	15,234

¹ Primarily contracting staff working on transformation project management and change management

² See p22

Reconciliation of FY20 statutory to adjusted FY20

\$'000	FY20 Statutory	Change contracting	Labour specified items	Transformation specified items	FY20 ex Specified Items	AASB 16 impact on FY20	FY20 ex impact of AASB 16
Fee revenue	161,407				161,407		161,407
Change in Work in Progress	15,839				15,839		15,839
Bad and doubtful debts – ex specified items	(4,850)				(4,850)		(4,850)
Net operating revenue	172,396				172,396		172,396
Labour – ex specified items	(107,969)	3,587 ¹	7,101 ²		(97,279)		(97,279)
Occupancy	(1,766)				(1,766)	(7,194)	(8,960)
Marketing, advertising, business development	(11,207)				(11,207)		(11,207)
Administration and office expenses	(17,991)				(17,991)		(17,991)
Other expenses – ex specified items	(12,597)	(3,587)		7,361 ²	(8,824)		(8,824)
Total expenses – ex specified items	(151,531)	-	7,101	7,361	(137,069)	(7,194)	(144,263)
EBITDA excluding specified items and other income	20,865	-	7,101	7,361	35,327	(7,194)	28,133
Add / (Deduct) specified items	-		(7,101)	(7,361)	(14,462)		(14,462)
EBITDA	20,865	-	-	-	20,865	(7,194)	13.671

¹ Primarily contracting staff working on transformation project management and change management

² See p22

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Proud legacy, focused for the future

Establishment 1930's - 40's



Firm founded in 1935
by Bill Slater and
Hugh Gordon

Deep and enduring links to
the labour movement forged



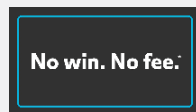
Leader in Victorian Workers
Compensation reform



Ok Tedi



Wittenoom



First to offer
'No Win No Fee'



WA office opened



HIV actions



First to use TV

Litigation Pioneers 1950's - 2000's

Listing and Expansion 2007 - 2017



World's first listed law firm



QLD expansion



NSW build out



General Law growth



UK Expansion

- + Bank debt acquired by hedge funds led by Anchorage Capital
- + Court approved scheme of arrangement, debt partially swapped and 95%+ firm owned by hedge funds
- + S&G Australia separated from UK business
- + Exit general law businesses, SA, TAS through divestment and wind down
- + New Board and management team appointed
- + Prioritising investment and capital to support refined business model
- + Rights issue in 2019 used to paydown debt
- + SSF maturity date extended to 2023

Recapitalisation and turnaround 2017 +

Supported by an experienced executive team

Chief Executive Officer



John Somerville
Chief Executive Officer
KPMG

Practice General Managers



Ben Hardwick
Head of Class Actions
19 years S&G



Rachael James
General Manager
NSW MVA and Workers
Compensation and I&E
15 years S&G



Karen Murphy
General Manager
QLD
Maurice Blackburn, NFP



Jo Panagakis
General Manager
VIC MVA and
Workers Compensation
19 years S&G



Nunzio Tartaglia
General Manager
VIC and NSW Civil
and WA
4 years S&G

Corporate Services



Scott Butterworth
Chief Financial Officer
BCG, NAB



Kate Malone
Chief Transformation
Officer
GE, Latitude



Michael Neilson
Executive Director
Legal and Governance
Crown, LendLease



Carolyn Noumertzis
Chief Human
Resources Officer
JetStar, Coles



Anthony Tomai
Chief Information Officer
Aecom, John Holland



Dina Tutungi
Chief Client Officer
19 years S&G

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Client acquisition activity



Key target market



- + Individuals in mid 20's to late 50's
- + Blue and white collar occupations

Strong brand attributes



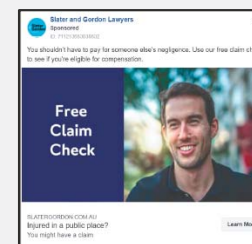
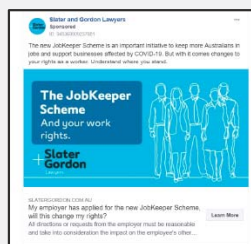
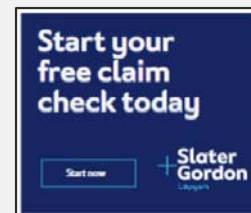
- + #1 prompted and unprompted recall ¹
- + High degree of client satisfaction

Effective positioning



- + Caring yet non-adversarial & efficient
- + Supported by Australia's only in-house social work team

- + Acquisition strategy has pivoted from a focus on brand awareness, to growing client enquiries directly through targeted digital activity, and improved client nurture.
- + Maintenance of brand awareness to be achieved through broadcast media and targeted online video advertising.



(1) #1 Prompted and Unprompted brand awareness in VIC, NSW and WA – Audience Group

Iconic brand underpinned by a strong digital asset



- + Begin your personal injury claim online within 3 minutes



- + Claims smart engine automates the triage process for personal injury claims



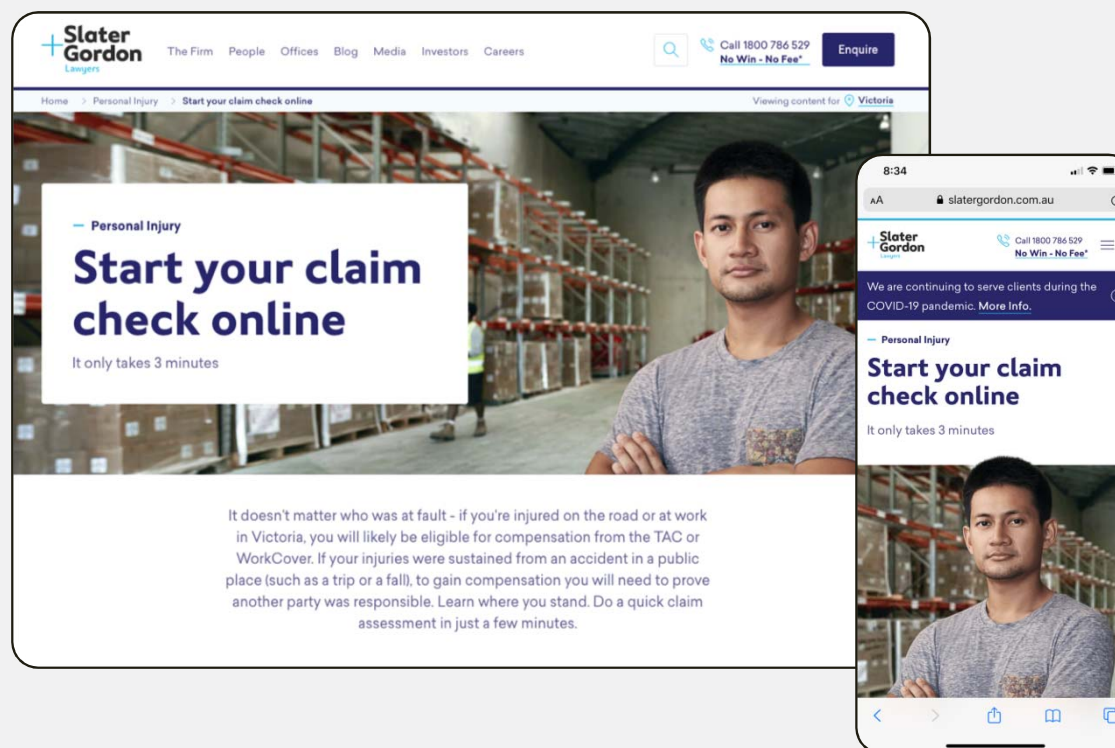
- + Once approved, book your free initial appointment



- + Select an in person or phone appointment time



- + Appointment confirmed



Class Action cases that have delivered positive client outcomes

“**NAB** reaches \$49.5 million settlement over 'junk' insurance class action” - *SMH*

Settled May 2020
Consumer class action

“**Government** to pay \$70m damages to 1,905 **Manus** detainees in class action” – *The Guardian*

Settled Sept 2017
Human rights class action

“**Bellamy’s** agrees to almost \$50m class action settlement” – *Lawyers Weekly*

Settled Nov 2019
Shareholder class action

“**Spotless** settles class action for \$95m” – *Nine Finance*

Settled May 2020
Shareholder class action

“NSW Supreme Court approves \$28.5m **Provident** class action settlement” – *The Guardian*

Settled Oct 2018
Shareholder class action

“**Murray Goulburn** has settled a class action for \$42 million” – *ABC*

Settled Jun 2019
Shareholder class action

Agenda

1 Additional Financial
information

2 Our history
and people

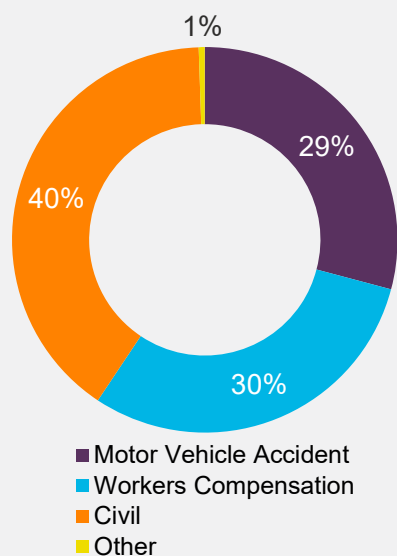
3 Client Acquisition
and Brand

4 Business
Model

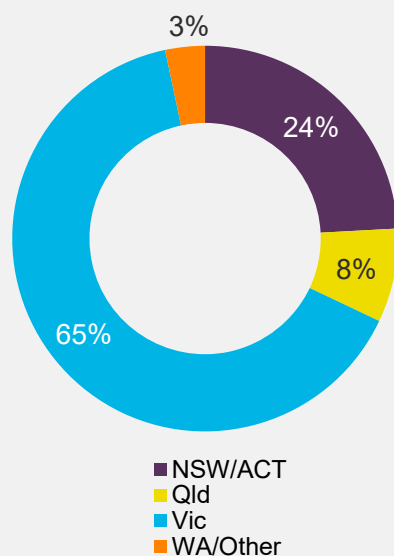
Our services

Personal Injury Law

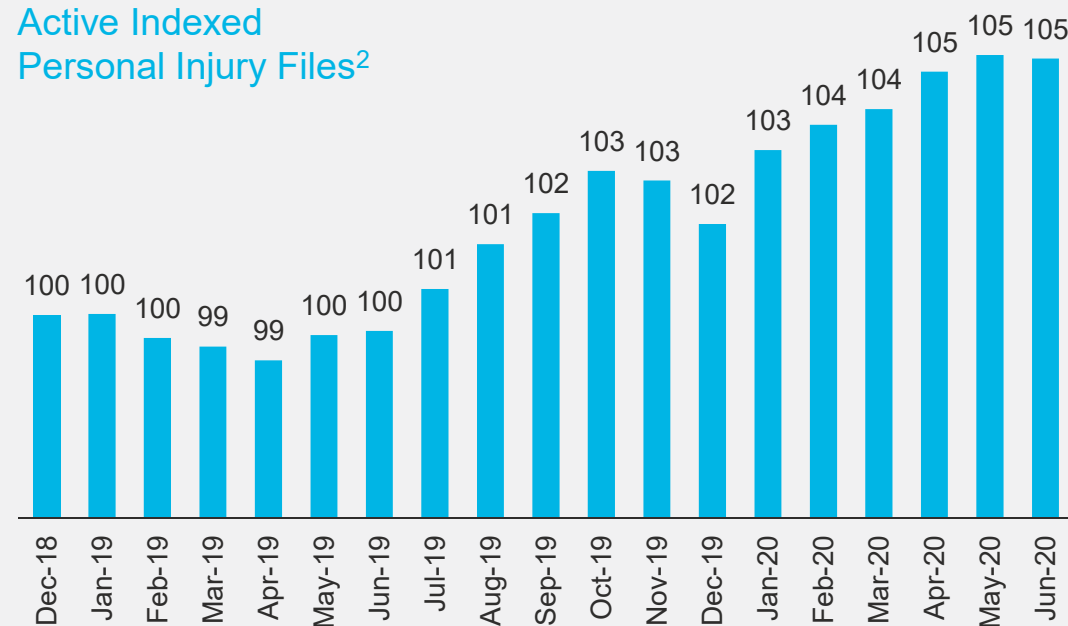
Share of FY20 PIL
WIP by Practice¹



Share of FY20 PIL
WIP by locations¹



Active Indexed
Personal Injury Files²

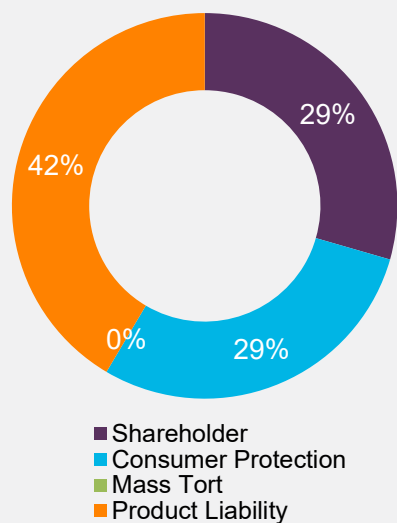


- + Rebuilt client on-boarding process
- + Activated market-leading outbound digital capability
- + Focused client growth strategies – particularly Civil

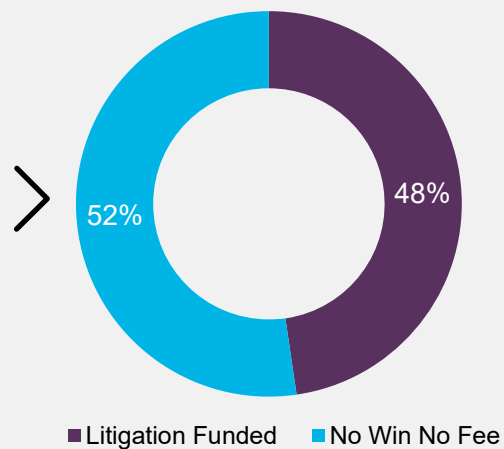
Notes:
(1) PIL WIP – Civil include, Abuse, Asbestos, Medical Negligence, Public Liability, Super and TPD
(2) Dec 2018 has been indexed to 100

Our services Class Actions

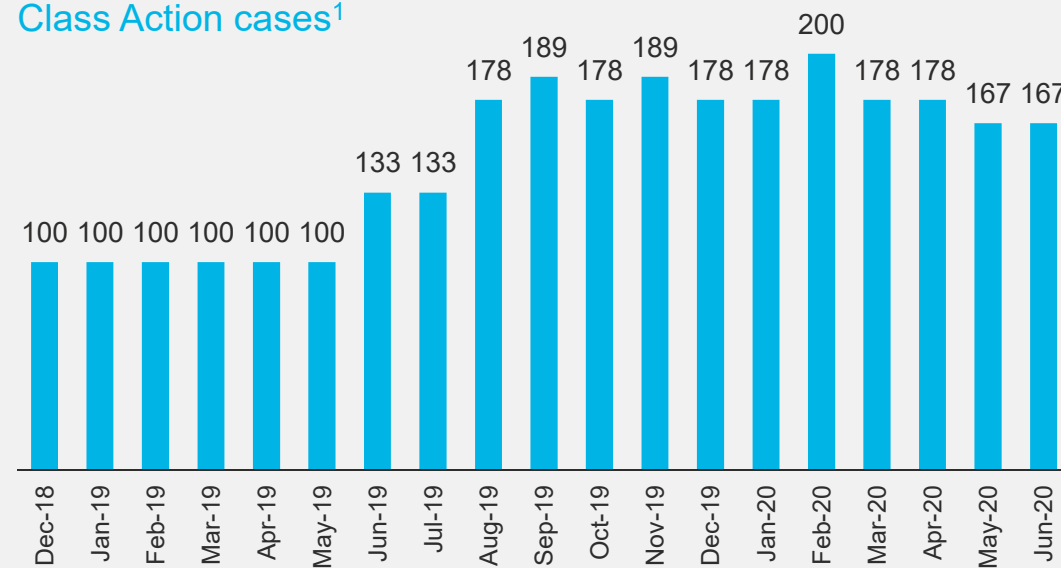
Share of FY20 CA
WIP by action type



Share of FY20 CA
WIP by funding source



Active Indexed Class Action cases¹



- + Hired additional capacity and talent
- + Implemented rigorous pipeline management processes
- + Consciously tilted to post-Royal Commission Financial Services cases, away from Shareholder cases

Notes:
(1) Dec 2018 has been indexed to 100

