

ASX Announcement

25 February 2021

Slater & Gordon Ltd FY21 Half-Year Results – Investor Presentation Slides

Slater & Gordon Ltd (“Slater & Gordon” or “the Company”)(ASX:SGH) attaches a copy of its Half Year Results Investor Presentation Slides.

ENDS

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Tomorrow **starts today**

Results **Announcement**

February 2021

John Somerville
Chief Executive Officer

Scott Butterworth
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Slater and Gordon will not be providing any forecasts, forward looking statements or guidance in relation to its results beyond the period ending 31 December 2020.

Agenda

1 Summary
& Progress

2 Financial
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3 Concluding
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1H21 highlights

+ 10%
\$92.9m
Net revenue ¹

+ 23%
\$18.8m
EBITDA ²

- 31%
\$7.0m
Gross Operating
Cashflow

- 210 bp
17.5%
Net gearing ³

+ 200 bp
20.2%
EBITDA ² margin

+16%
PIL enquiries

+6%
Net PIL matter
growth

+ 2
18
Active Class
Actions

- 1
23
NPS ⁴

Note: Variance is to PCP with the exception of the NPS score

¹ Statutory revenue

² EBITDA excluding specified items as set out on p 22

³ Debt excluding lease liabilities – cash / Total assets

⁴ Movement based on Net Promoter Score (NPS) for the period June 2019 – June 2020

Attractive Market

Fundamentals supportive of long term growth



Revenue pool ^{3 4}



Market growth ⁵



Market structure ^{3 4}



Competitive landscape ^{3 4}

Personal Injury Law ¹

~\$1.6bn

Avg. historical PIL industry revenue p.a.

~0-0.5%

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

~2,000

Fragmented industry with many smaller competitors

~10%

SGH's PIL market share

Class Actions ²

~\$240m

Average per annum in plaintiff settlements

~3-12%

Annual growth in Class Action filings

~77%

Market share predominately sits with three firms

#2

SGH's position in Class Action

¹ Personal Injury includes Motor Vehicle Accidents, Workers Compensation and Civil (made up of Medical Negligence, Public Liability, Asbestos and Superannuation/TPD matters)

² Class Actions 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

Strong platform for growth

Iconic brand, focused business model



Deep physical networks staffed by skilled, diverse team

- + ~40 sites in VIC, NSW, QLD and WA
- + Covers ~ 75% of chosen market
- + Unions and other referral relationships
- + ~ \$266m in PIL client settlements ⁴
- + ~ \$95m in Class Action settlements ⁴
- + 78% female / 22% male workforce

Iconic and trusted brand

- + 85 years of caring for Australians' rights
- + #1 prompted and unprompted recall ¹
- + Net Promoter Score of 23 ²

Highly focused

- + Personal Injury – 89% of revenue
- + Class Actions – 7% of revenue
- + Emerging Services ³ – 4% of revenue

Market leading digital assets

- + Online claim assessment tool
- + Outbound digital capability
- + 32.5k visitors per month

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

² Source – Kantar Group, May 2020

³ Land Acquisition and General Litigation and Industrial & Employment

⁴ Reflects 1H21 actual

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 sure **tomorrow starts 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**

Delivering on our strategy Aligned to our clients and values

Differentiate
through our care



- + Landmark privacy action – pro bono pursuit of social justice on behalf of refugees
- + 50 Lawyers through training – enhanced client care from ‘Day1’
- + “Tomorrow starts Today” brand campaign – highlighting the client experience

Passionate and skilled,
acting as one team



- + Kept our team safe during Covid-19
- + 32 of our lawyers listed in Doyles Guide 2020
- + Court of Appeal WA upheld a \$5.2m damages award to an 11 year old client who was injured at birth
- + Purpose built onboarding and induction process for new colleagues

Simplify and digitize
our processes



- + 5,000th client digitally supported from enquiry through to lawyer appointment via our online triage tool
- + Digital Management Solution implementation progressed – leading to improved workflow solutions
- + Middle office improving Settlement, Billings and Collections capabilities. Platform to support additional non legal processes within practice groups

Explore and Grow
into our opportunities



- + Created 13 additional roles in Class Actions and Civil practice groups
- + Group Cost Order regime introduced in Victoria
- + Expanded partner and referral program with Australian Family Law and progressing other opportunities

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Earnings overview

Strong revenue growth, investing in the business

(\$'000)	1H21	1H20	Var
Fee Revenue	77,426	75,981	1.9%
Change in WIP	20,867	12,778	63.3%
Bad & Doubtful Debts	(5,357)	(4,465)	(20.0%)
Net operating revenue before specified items	92,936	84,294	10.3%
Labour	(51,560)	(48,513)	(6.3%)
Non-labour costs	(22,590)	(20,450)	(10.4%)
EBITDA before specified items	18,786	15,331	22.6%
Specified items ²	(4,506)	(5,467)	17.6%
EBITDA	14,280	9,864	44.8%
Depreciation & Amortisation	(4,165)	(4,828)	13.7%
Finance Charges	(6,114)	(6,785)	9.9%
NPAT including other income from continuing operations	2,802	(939)	Large
Profit from discontinued operations	289	378	(23.5%)
NPAT including other income and discontinued operations	3,091	(561)	Large

Net revenue

- + PIL fees \$1.6m higher due to higher average fees from improved case mix offset by lower settlement volumes, in part a result of Covid-19 impacts
- + Strong underlying LES fee income growth offset by fewer Class Actions settlement events during the period
- + \$20.9m change in WIP due to active file growth in PIL and file progression in both PIL and Class Actions
- + \$0.9m higher BDD charge reflecting increased provisions supporting business growth

Ordinary operating expenses

- + Includes impact of AASB16 in both halves
- + \$3.0m labour growth primarily by increased FTE in PIL
- + \$2.1m increase in non-labour costs, driven primarily by marketing with increased emphasis on client acquisition through targeted digital activity

Specified items

- + Higher LTIP costs offset by lower transformation expenditure

Note: Other Income and Tax has not been included in the table above. Please see p 21 for Other Income disclosure

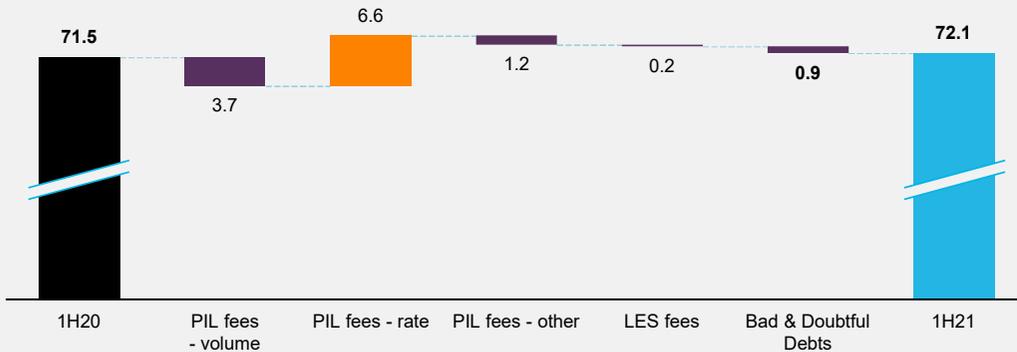
¹ Litigation and Emerging Services includes Class Actions, Industrial and Employment, Other Litigation

² EBITDA excluding specified items as set out on p 22

Net fees

Fee growth despite challenging market conditions

Movement in net fees 1H20 – 1H21 (\$m)



Significant uplift on prior corresponding period in net operating revenue resulting from WIP growth partially offset by increased BDD and a reduction in LES fees

PIL

- + Fees per settlement up 11%, reflecting improved case mix combined with improved average fees
- + This has been partially offset by lower settlements

LES¹

- + Class Actions fees down 11%, with four high value matters settling last year
- + Emerging Services continues to demonstrate strong growth with fees up 13%

Movement in net fees 2H20 – 1H21 (\$m)

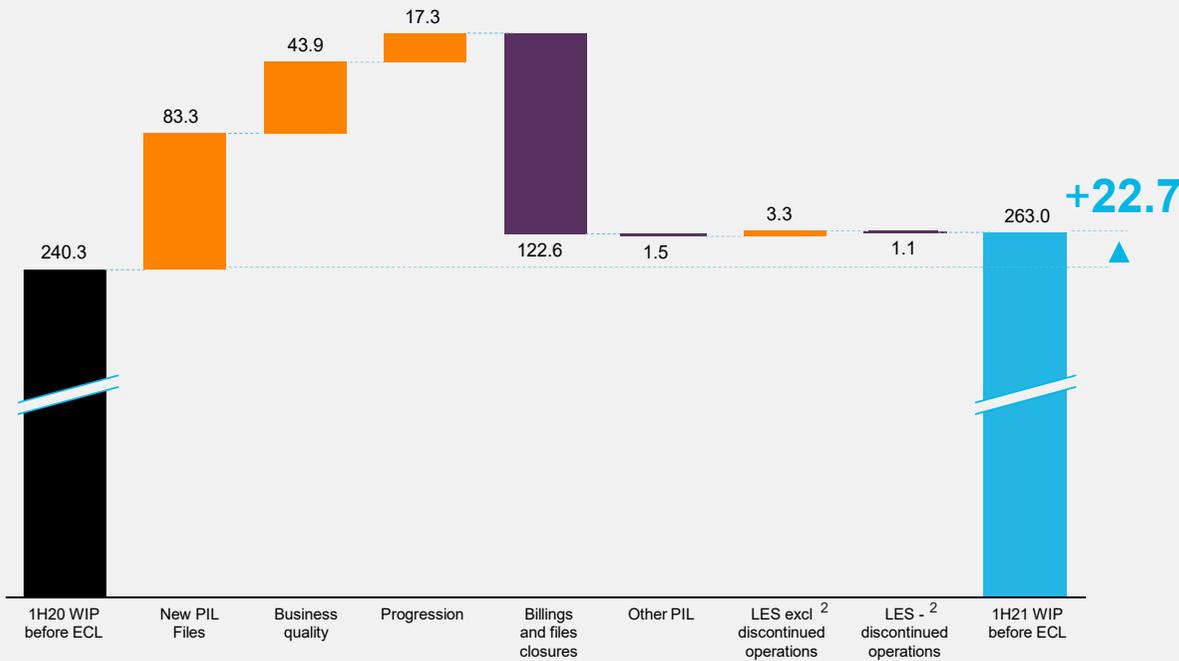


¹ Litigation and Emerging Services. Class Actions, Industrial and Employment, Other Litigation

Change in WIP

New PIL files and better PIL quality

Movement in Work In Progress for Personal Injury and LES ¹ (\$m)



+ Active net PIL matter growth of 6% resultant of increased marketing efforts

+ WIP per file up due to active file growth combined with improved case mix and file progression within PIL and Class Actions

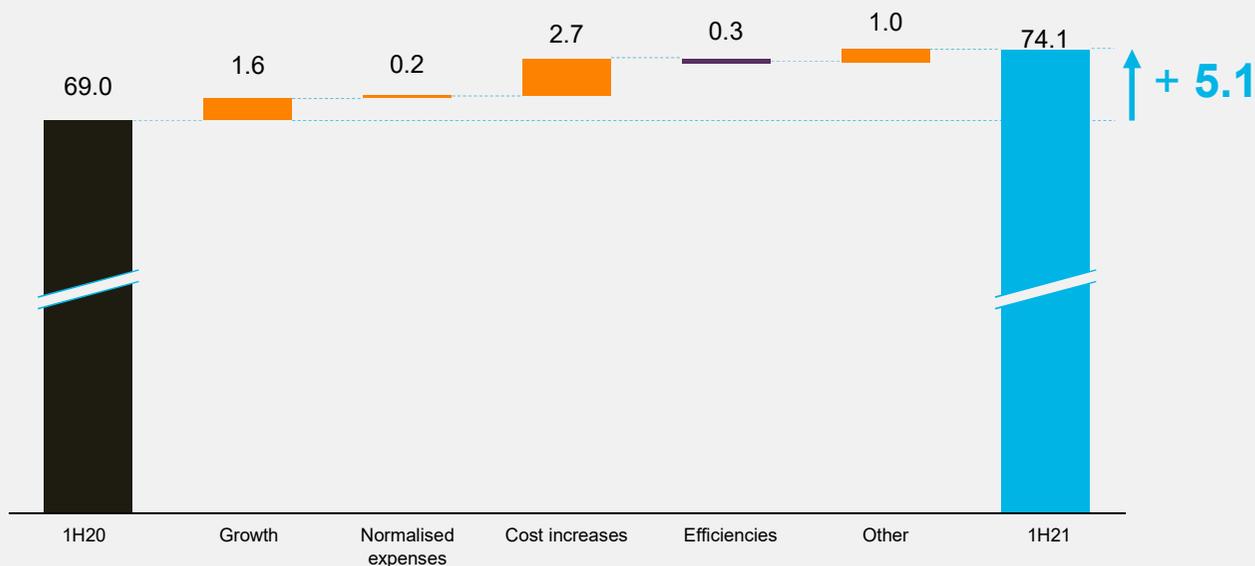
¹ Litigation and Emerging Services, Class Actions, Industrial and Employment, Other Litigation

² Discontinued operations refers to divested CAEL business

Expenses

Investing in growth, normalisation effects and efficiencies

Ordinary Operating Expense Movement ¹ (\$m)



Growth

- + Increased FTE primarily in PIL
- + Investment in marketing

Net cost inflation

- + Wage growth

Efficiencies

- + Streamlining / rationalising processes
- + Admin expense cost savings due to office closures
- + Re-negotiated favourable lease terms

¹ See p 25 for reconciliation of statutory presentation to base presentation

Balance sheet

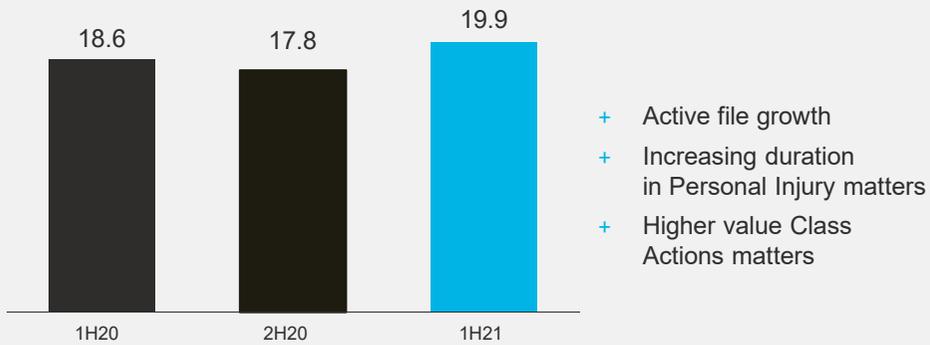
Ongoing initiatives undertaken to strengthen balance sheet

As reported (\$'000)	31 Dec-19	30 Jun-20	31 Dec-20
Cash	19,452	26,461	19,734
Receivables	82,125	85,182	76,460
Net WIP	235,516	239,213	257,289
PPE	5,071	3,643	2,920
Right of use asset	22,415	19,705	15,020
Other	12,760	14,358	12,153
Total	377,339	388,562	383,576
Payables	55,479	63,722	61,838
Borrowings	93,249	91,850	86,276
Leases	35,855	32,295	26,312
Deferred tax	13,272	15,219	17,458
Provisions	21,273	23,143	23,919
Total	219,128	226,229	215,803
Net assets	158,211	162,333	167,773

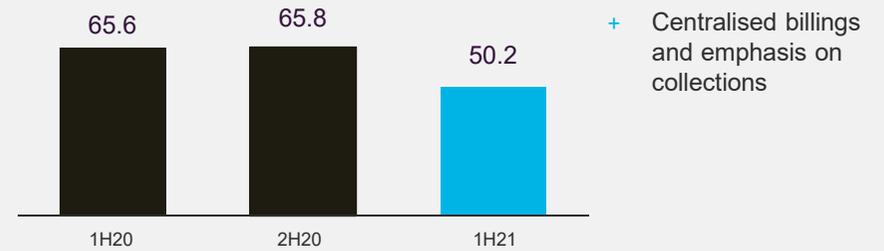
- + \$7m reduction in cash due to repayment of the Super senior facility coupled with payment for facility extension
- + \$18m WIP movement from active file growth, case mix and file progression in both PIL and Class Actions
- + \$0.7m reduction in PPE due to amortisation
- + \$5m reduction in ROU asset arising from increased amortisation and lease adjustments
- + \$2m reduction in payables stemming from STIP payment and timing
- + \$6m reduction in borrowings. Net impact of paying down asset backed facility and increasing term loan facility
- + \$6m lease liability reduction during the half

Working capital Increasing efficiency

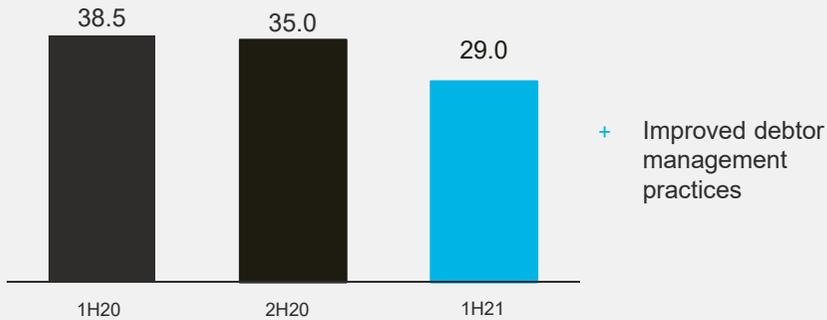
WIP turnover (months) ¹



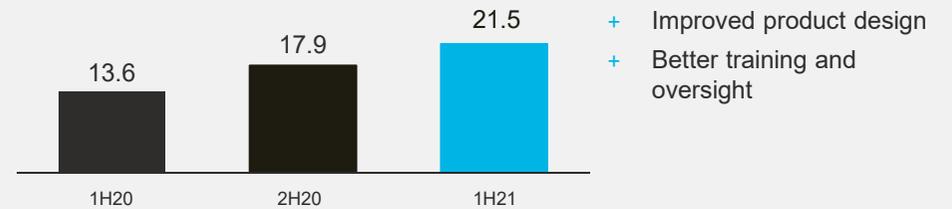
Debtor Turns (days) ²



Average 90+ days past due ratio (%) ³



Third Party Funded Disbursements (\$m) ⁴



¹ Average WIP / Gross Fees x 12

² Ending Total Debtors / Rolling 12 months Total Billings x 365 where Total Debtors and Total Billings include Fee, Disbursement, GST. Calculation methodology revised in 1H21

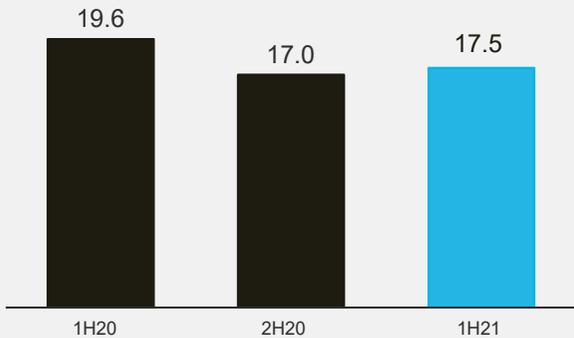
³ Average of daily ratios for each year

⁴ Year end third party funding balance

Balance sheet structure

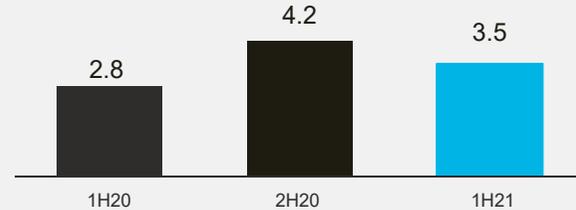
Continues to improve on prior corresponding period

Net Gearing (%) ¹



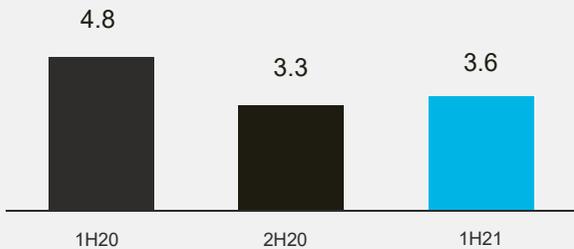
+ Repayment of asset backed facility partially offset by increased term loan facility

Interest Coverage (x) ²



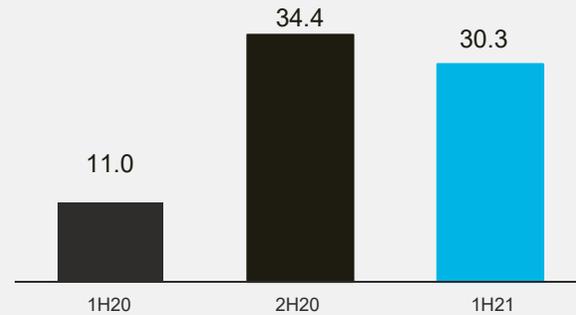
+ Higher EBITDA

Net Debt / EBITDA (x) ³



+ Lower net debt
+ Higher EBITDA

Weighted Average Time to Maturity (Months) ⁴



+ SSF maturity extension to July 2023

¹ Total interest bearing debt excluding lease liabilities – cash / Total assets

² EBITDA excluding specified items / Finance charges excluding imputed lease interest

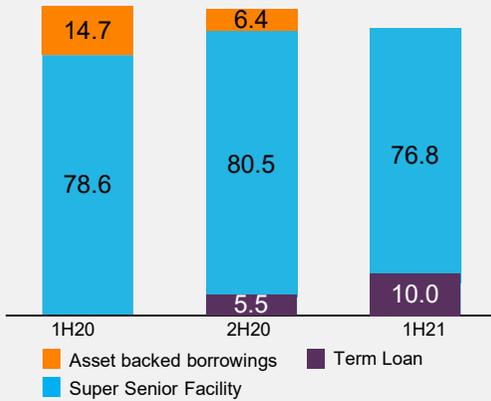
³ Total interest bearing debt excluding lease liabilities – cash / EBITDA excluding specified items

⁴ Based on time to contractual maturity from balance date, weighted by value of debt. Excludes lease liabilities

Funding summary

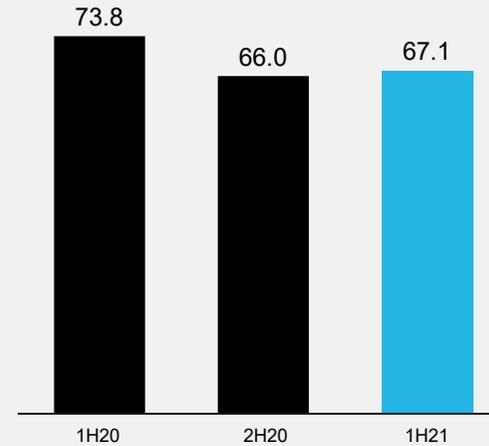
Focus on reducing gearing over time

Debt profile \$m



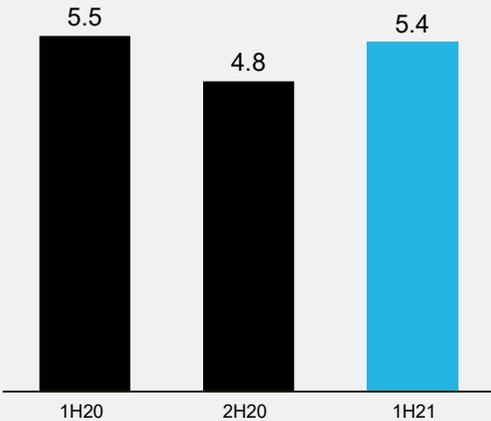
- + Disbursement asset backed facility fully paid in 1H21
- + Repaid \$5.4m of the Super senior facility. Facility matures on 31 Jul 2023
- + Term loan facility revised with new facility commitment of \$15m. Facility matures on 6 Feb 2023
- + Comfortable headroom under senior debt covenants

Net debt \$m



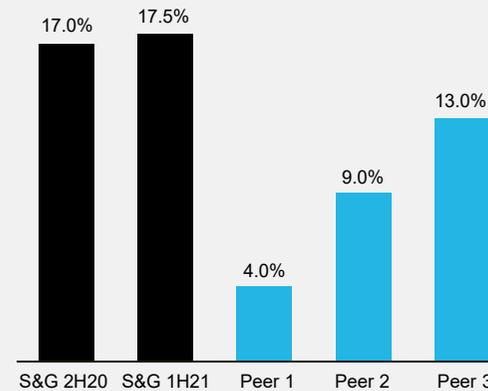
- + Reduced cash balance due to loan repayments

Finance charges excl. lease interest \$m



- + Lower interest expense due to debt paydown and lower utilisation of working capital

Net Gearing comparison (%) ¹



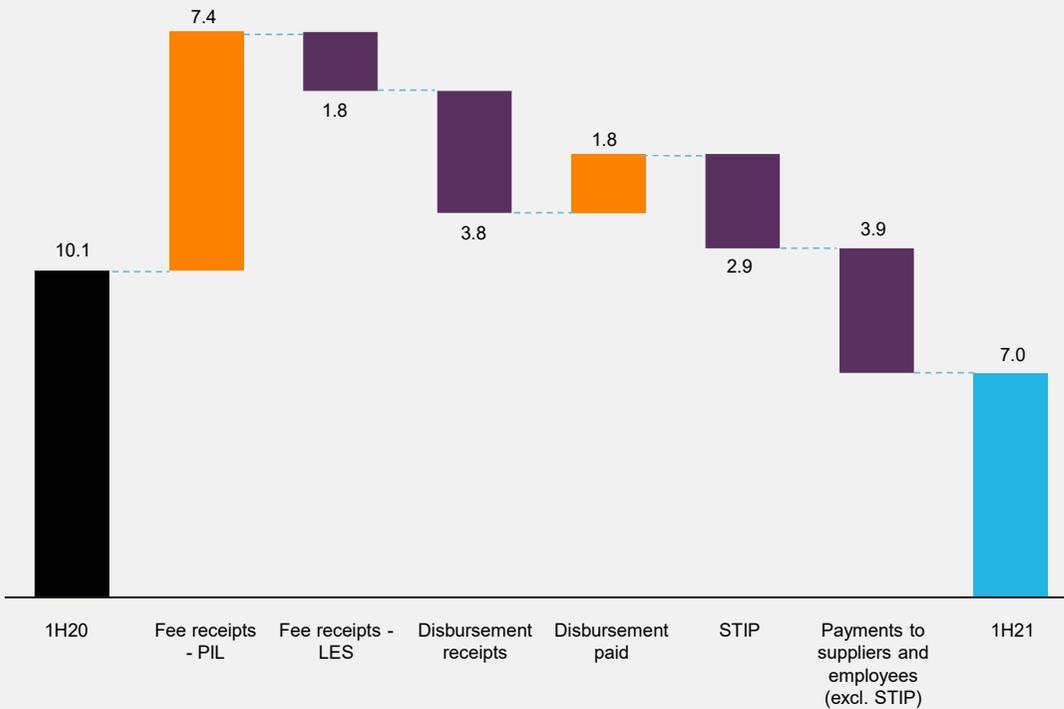
- + SSF maturity extension to July 2023

¹ Total interest bearing debt excluding lease liabilities – cash / Total assets. Gearing for peers reflects FY20 ratios

Gross Operating Cashflow

Lower cash generation driven by earlier payment of STIP

Gross Operating Cash Flow movement (\$m)



- + Improved PIL receipts
- + Lower disbursement receipts driven by lower settlements
- + Increased STIP payment due to timing and to a lesser extent quantum
- + Increased supplier payments
- + Improved utilisation of 3rd party funding for disbursements

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Concluding remarks

Driving growth and building advantage



Purpose driven – focused on our clients and our people



~\$1.6b+ market – fragmented and inefficient



Iconic brand, clear business model



Growth through differentiation



Keep getting the basics right



Build scalability – digital and analytics

Appendix



Reconciliation of PBT to EBITDA before specified items

\$'000	1H20	2H20	1H21
Profit before tax – excluding discontinued operations	(1,310)	1,112	5,041
Add: Depreciation and amortisation	4,828	4,616	4,165
Add: Finance charges	6,785	5,927	6,114
Deduct: Other income	(439)	(653)	(1,040)
EBITDA	9,864	11,002	14,280
Add: Specified items			
Retention bonuses and LTIP	0	4,991	2,523
Redundancy costs ¹	981	1,129	634
Transformation expenditure ¹	4,486	2,875	1,349
Total specified items	5,467	8,995	4,506
Total EBITDA excluding specified items	15,331	19,997	18,786

¹ Partly or wholly cash item

EBITDA schedule

\$'000	1H20	2H20	1H21
Fee revenue	75,981	85,426	77,426
Change in Work in Progress	12,778	3,061	20,867
Bad and doubtful debts	(4,465)	(385)	(5,357)
Net operating revenue	84,294	88,102	92,936
Labour – ex specified items	(48,513)	(48,767)	(51,560)
Occupancy	(985)	(781)	(1,031)
Marketing, advertising, business development	(5,112)	(6,095)	(6,583)
Administration and office expenses	(9,553)	(8,439)	(9,103)
Other expenses – ex specified items	(4,800)	(4,024)	(5,873)
Total expenses – ex specified items	(68,963)	(68,105)	(74,150)
EBITDA excluding specified items	15,331	19,997	18,786
Specified items	(5,467)	(8,995)	(4,506)
EBITDA	9,864	11,002	14,280

Reconciliation of 1H21 statutory to adjusted 1H21

\$'000	1H21 Statutory	Labour specified items	Transformation specified items	1H21 ex Specified Items
Fee revenue	77,426			77,426
Change in Work in Progress	20,867			20,867
Bad and doubtful debts – ex specified items	(5,357)			(5,357)
Net operating revenue	92,936			92,936
Labour – ex specified items	(56,012)	4,452 ¹		(51,560)
Occupancy	(1,031)			(1,031)
Marketing, advertising, business development	(6,583)			(6,583)
Administration and office expenses	(9,103)			(9,103)
Other expenses – ex specified items	(5,927)		54 ¹	(5,873)
Total expenses – ex specified items	(78,656)	4,452	54	(74,150)
EBITDA excluding specified items and other income	14,280	4,452	54	18,786
Add / (Deduct) specified items	-	(4,452)	(54)	(4,506)
EBITDA	14,280	-	-	14,280

¹ See p22

Reconciliation of 1H20 statutory to adjusted 1H20

\$'000	1H20 Statutory	Labour specified items	Consulting specified items	1H20 ex Specified Items
Fee revenue	75,981			75,981
Change in Work in Progress	12,778			12,778
Bad and doubtful debts – ex specified items	(4,465)			(4,465)
Net operating revenue	84,294			84,294
Labour – ex specified items	(49,494)	981 ¹		(48,513)
Occupancy	(985)			(985)
Marketing, advertising, business development	(5,112)			(5,112)
Administration and office expenses	(9,553)			(9,553)
Other expenses – ex specified items	(9,286)		4,486 ¹	(4,800)
Total expenses – ex specified items	(74,430)	981	4,486	(68,963)
EBITDA excluding specified items and other income	9,864	981	4,486	15,331
Add / (Deduct) specified items	-	(981)	(4,486)	(5,467)
EBITDA	9,864	-	-	9,864

¹ See p22

Proud legacy, focused for the future

Establishment 1930's - 40's

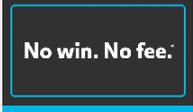


Firm founded in 1935 by Bill Slater and Hugh Gordon

Deep and enduring links to the labour movement forged



Leader in Victorian Workers Compensation reform

 Ok Tedi	 WA office opened
 Wittenoom	 HIV actions
 First to offer 'No Win No Fee'	 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 +



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