Slater Gordon Lawyers

Tomorrow **starts today**

Results **Announcement**

August 2021

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Agenda

1 Summary & Progress

2 Financial Results

3 Concluding Remarks

4 Q & A

FY21 highlights

+ 14%	+ 38%	+ 16m	- 43%	+ 410 bp
$197.4m	**$48.6m**	**$14.5m**	**$14.5m**	**24.6%**
Net revenue [1]	EBITDA [2]	Net Profit after Tax [1]	Gross Operating Cashflow	EBITDA [2] margin

		+ 3	- 1	+ 9
+16%	**+5%**	**18**	**23**	**64**
PIL enquiries	Net PIL matter growth	Active Class Actions	Net Promoter Score [3]	Employee Engagement [4]

[1] Statutory basis
[2] EBITDA excluding specified items as set out on p 25
[3] Source – Kincentric, March 2021
[4] Source – Kantar, April 2021

Well positioned in an attractive market
Iconic brand, focused business model

	Personal Injury Law[1]	Class Actions[2]
Revenue pool	~$1.8b[3]	~$240m[4]
Historical growth	~<0%[3]	~3-12%[5]
Market structure	~2,200[3] firms	~77%[5] Top 3 firm share

Deep physical networks staffed by skilled, diverse team
- ~60[6] sites in VIC, NSW, ACT, QLD and WA
- Well represented in chosen markets
- Unions and other referral relationships

Iconic and trusted brand
- 85+ years of caring for Australians' rights
- Maintained #1 prompted and unprompted recall[7]
- Net Promoter Score of 23[8]

Highly focused business model
- Personal Injury – 89% of revenue
- Class Actions – 7% of revenue
- Emerging Services[9] – 4% of revenue

Market leading digital assets
- Online claim assessment tool
- Outbound digital capability
- Advanced analytics supporting business decisions

1. Personal Injury includes Motor Vehicle Accidents, Workers Compensation and Civil (made up of Medical Negligence, Public Liability, Asbestos and Superannuation/TPD matters)
2. Includes shareholder mass tort, consumer protection, product liability, and employee rights
3. IBIS World Industry Report OD5519 June 2021
4. Australian Law Reform Commission – Report 134
5. A combination of note 4 and company estimates
6. Includes permanent and visiting offices
7. Source – Audience Group, March 2021. # 1Prompted and Unprompted brand awareness across Personal Injury law firms in in VIC, NSW and WA
8. Source – Kincentric, March 2021
9. Includes Compulsory Acquisition, Industrial & Employment. These business units individually account for no more than 2% of revenue

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

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 start today** for our clients

How we will win

- **Differentiate** through our **care**
- **Passionate** and **skilled**, acting as **one team**
- **Simplify and digitalise** 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	+ Advocate for the rights of healthcare workers and workers in the gig economy + Garden Point Indigenous abuse survivors receive apology and entitled to compensation + Secured findings of privacy breach for vulnerable asylum seekers – pro bono and Australian legal first + Maintained highest prompted brand awareness in all our key markets [1] + Investment in client care underpinning organic growth
Passionate and skilled, acting as one team	+ Health and wellbeing for our clients and people has been the highest priority, driving our Covid-19 response + 39 accredited specialist lawyers across our practice groups + 35 of our lawyers named on *Doyle's* list 2021 + 3 Class Action lawyers recognised in the inaugural *Lawyerly* awards + Migrating towards national practice groups, implementing our "one way, best way" initiative
Simplify and digitise our processes	+ Partnered with digital supplier to accelerate matter investigations + Standardised and digitised document storage platform implemented (Q1 FY22) + More clients opting to initially engage with us digitally – 70%+ new files come via online channels + Improving triage optimisation through data analytics
Explore and Grow into our opportunities	+ Class Actions and Civil practice group investment with 43 additional roles created + Ongoing expansion of partner and referral programs + Strong enquiry and file growth with improving profitably in a flat market

[1] Audience Analytics March 2021 – No 1 in all Vic, NSW, WA and No 2 in Qld

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Earnings overview
Strong growth supported by business investment

($'000)	FY21	FY20	Var
Fee Revenue	154,245	161,407	(4.4%)
Change in WIP	48,096	15,839	Large
Bad & Doubtful Debts	(4,983)	(4,850)	(2.7%)
Net operating revenue before specified items	**197,358**	**172,396**	**14.5%**
Labour	(105,188)	(97,280)	(8.1%)
Non-labour costs	(43,557)	(39,789)	(9.5%)
EBITDA before specified items	**48,613**	**35,328**	**37.6%**
Specified items [1]	(8,683)	(14,462)	40.0%
EBITDA	**39,930**	**20,866**	**86.6%**
Depreciation & Amortisation	(7,978)	(9,444)	15.5%
Finance Charges	(11,791)	(12,712)	7.2%
NPAT including other income from continuing operations	**14,186**	**(1,660)**	**Large**
Profit from discontinued operations	284	475	(40.2%)
NPAT including other income and discontinued operations	**14,470**	**(1,185)**	**Large**
EBITDA[1] margin	24.6%	20.5%	410 bp

Revenue

+ PIL c.$1.3m lower than FY20, with higher averages fees offset by lower settlements
+ Class Action fees lower due to lower settlement activity
+ Strong WIP growth supported by organic PIL growth and development of Class Actions business

Expenses

+ $7.9m increase in labour costs primarily reflects investment in growth and normalised STIP
+ $3.8m increase in non-labour expenses driven by investment in marketing and technology to support growth and de-risk the business
+ $5.8m reduction in restructuring and transformation costs (in specified items)[1]

Margin

+ Delivered positive jaws with revenue exceeding expense growth
+ EBITDA margin expansion of 410 basis points

Note: Other Income and Tax has not been included in the table above. Please see p 25 for Other Income disclosure
[1] EBITDA excluding specified items as set out on p 25

Net fees
Fee revenue lower with lower settlement volume

Movement in net fees FY20 – FY21 ($m)

PIL

+ Strong average fee growth per file across all major practice groups
+ Settlement volumes down 7% on previous year – reflecting slow down across practices (partly related to Covid-19) and some change in mix to more complex matters

LES[1]

+ Lower Class Action fees, with 1 matter settling this year compared to 4 matters last year

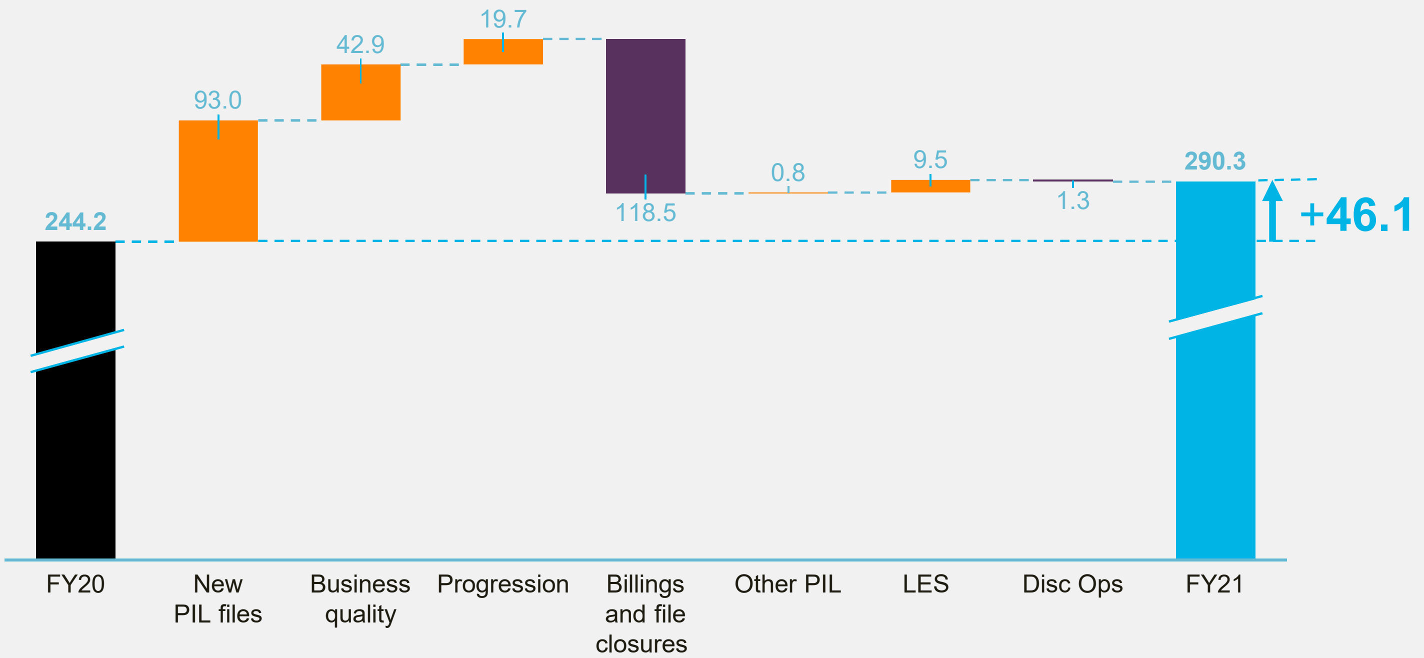
Discontinued Operations

+ Reflects CAEL[2] business divested in 1H21

[1] Litigation and Emerging Services includes Class Actions, Compulsory Acquisition, Industrial & Employment.
[2] Commercial and Estate Litigation

Change in WIP
Significant uplift driven by combination of activity and quality

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



PIL

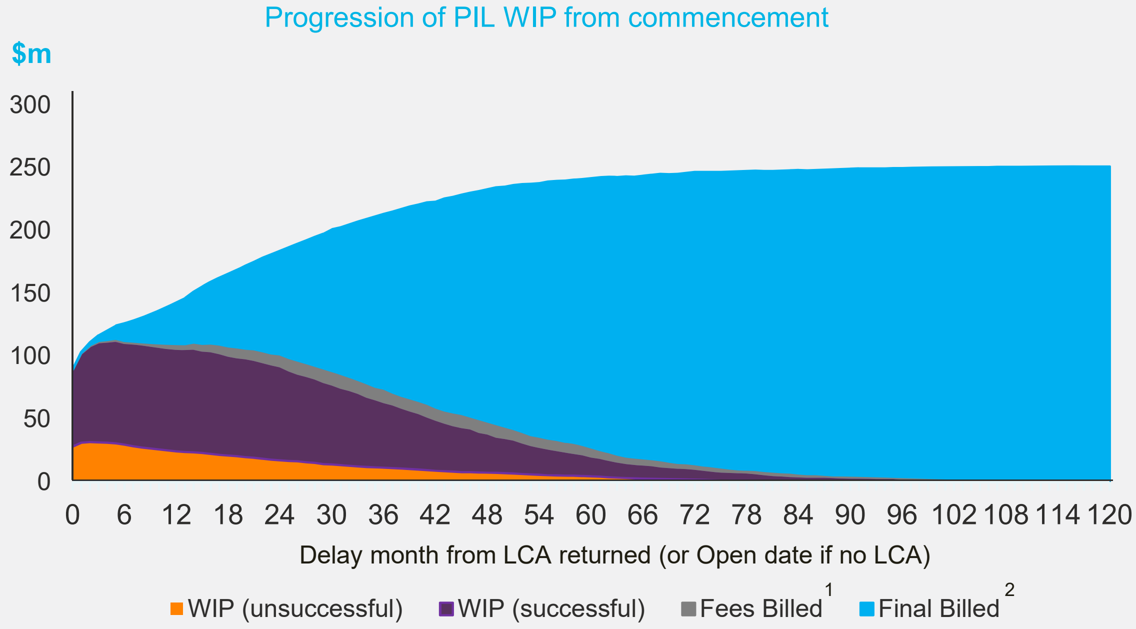
- Ongoing strong file growth – 5% net growth in FY21
- Better business quality and progression driving growth in WIP per file – up 14% in year
- WIP reduction due to billing or concluded matters of $119m

LES[1]

- Growth in LES WIP driven by Class Actions as portfolio of self-funded matters increase

[1] Litigation and Emerging Services includes Class Actions, Compulsory Acquisition, Industrial & Employment. Growth in WIP relates to Class Actions
Note: See also Note 11.1 in FY21 Financial Accounts

PIL WIP recognition
WIP unwinds to fees over 2+ years



WIP valuation methodology

+ PIL WIP is valued using a portfolio approach for all active matters
+ Each matter is grouped into a cohort defined by its state, practice, subtype and status.
+ Carrying WIP value for each matter in each cohort is based on expected fees, success rate, completion and risk, less fees billed to date on that matter
+ Valuation factors usually based on rolling 2-year historical averages, and WIP coding by lawyers, which is subject to substantiation review

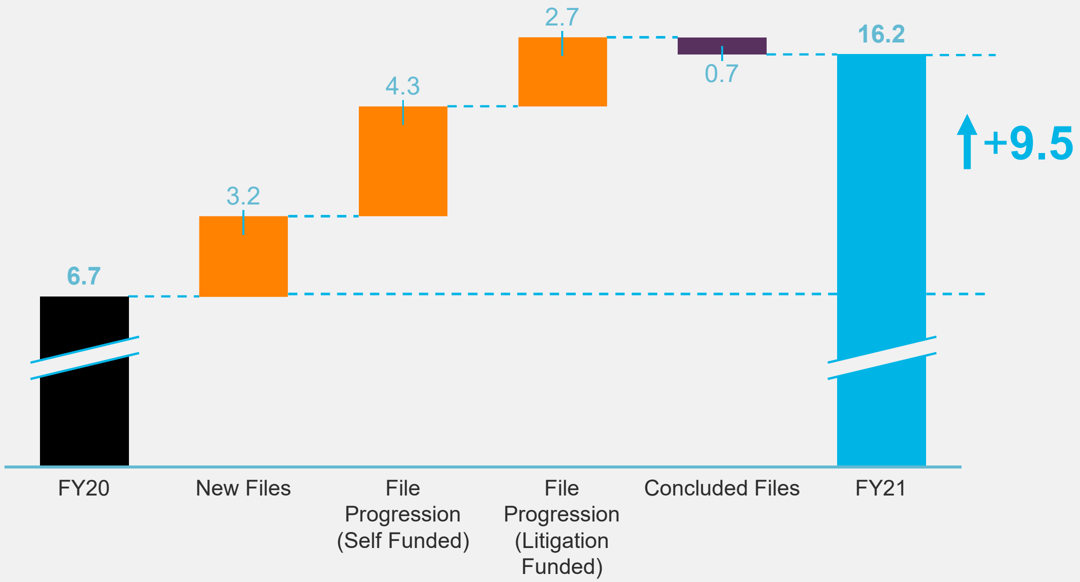
WIP unwind analysis

+ Progression of WIP on all PIL matters concluding between 1 July 2019 to 30 May 2021
+ Bulk of matters start converting to fees within 24-30 months
+ WIP recognised on unsuccessful matters is small relative to final fees billed
+ Fees billed is higher than the WIP recognised for both successful and unsuccessful matters
+ Final fees outweigh WIP recognised

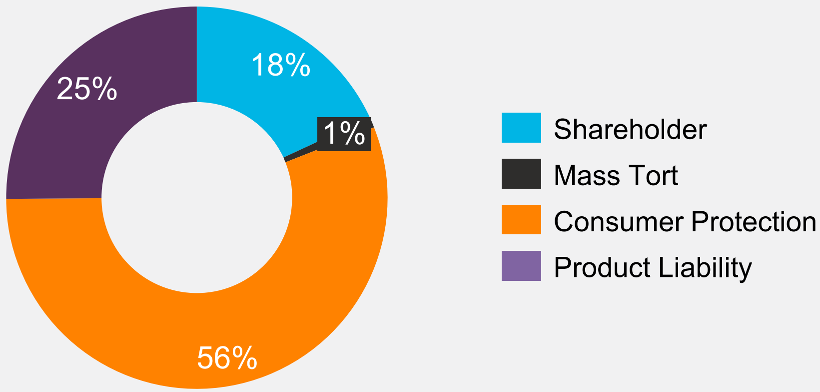
[1] Fess billed reflects the sum of fees already billed for all matters which are still open (may have a WIP held) and are yet to be concluded
[2] Final billed reflects total fees billed over matter lifetime for all concluded matters
Note: LCA means Legal Cost Agreement

Class Actions WIP
Diverse portfolio, shifting towards firm funded matters

Movement in Work In Progress for Class Actions ($m)



Class Actions WIP type



Class Actions WIP

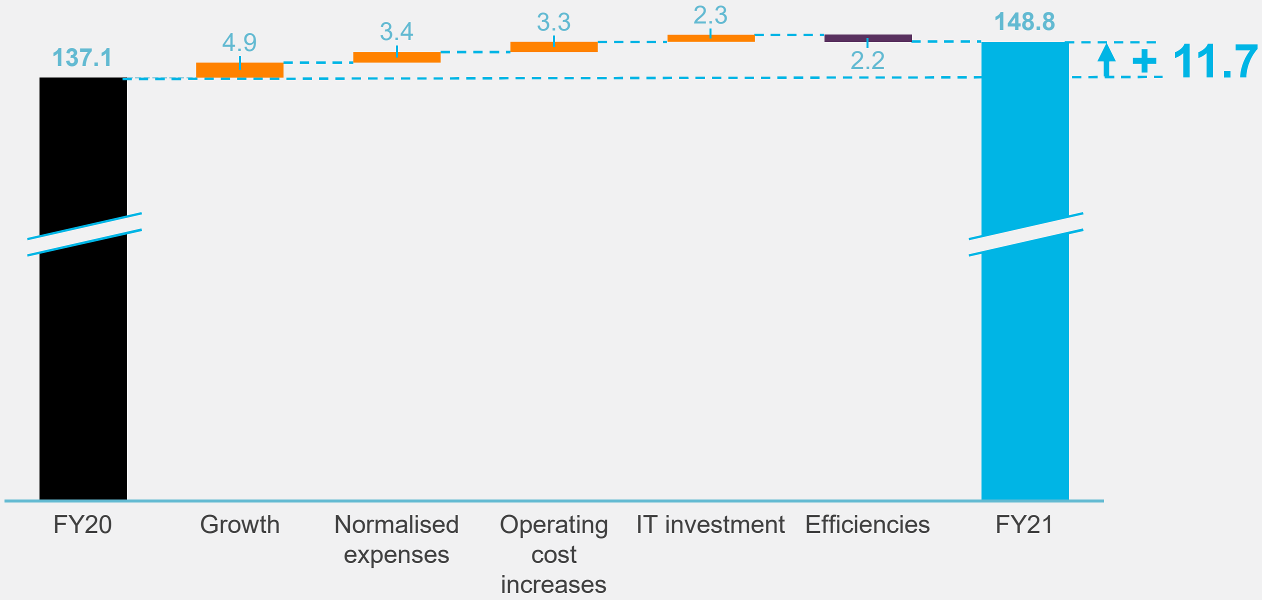
- WIP reflects "time and materials"
- WIP on each matter separately reviewed and assessed
- Increase in self funded matters driving WIP rate of growth

Class Actions WIP

- Diversified action types
- Growth in Consumer Protection actions (e.g. Financial Services products)
- Shareholder actions a smaller component of overall WIP
- Broad capability to pursue a range of matters

Expenses
Investment in business growth

Ordinary Operating Expense Movement [1] ($m)

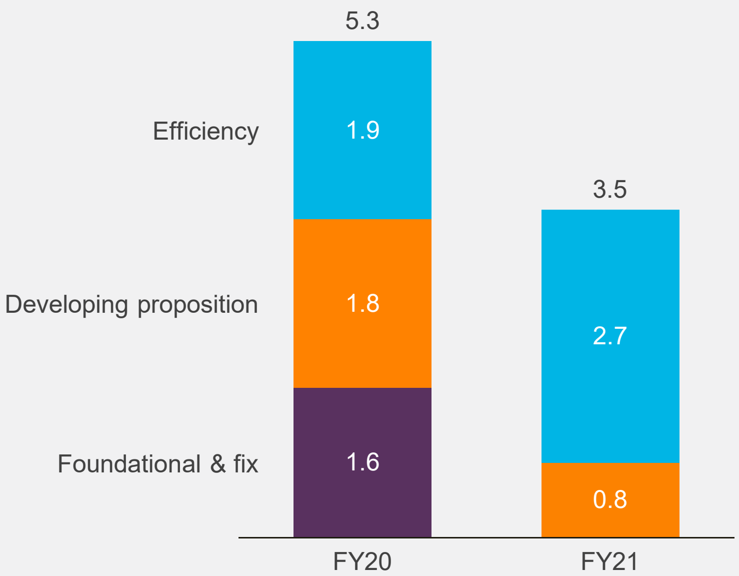


- Growth reflects continued investment in business:
  - 43 FTE investment within PIL Civil and Class Actions, areas of key strategic priority
  - $1.1m higher marketing spend, directed towards digital channels and brand awareness
- Normalised expense growth due to STIP in recognition of strong operating performance
- Growth in operating costs due to volume growth and wage inflation
- Covid-19 accelerated investment in technology to support growth and de-risk the business through increased data security
- Efficiencies flowing through to cost base due to:
  - Shifting resources to higher returning practice groups
  - Consumables saving due to temporary office closures

[1] See p 27, 28 for reconciliation of statutory presentation to base presentation

Investing in the business
Supporting our people and clients

Investment spend by type ($m)



Continued investment in projects delivering efficiency:

- Implementation of a new digital matter document storage solution – 1H22 commencement
- Digitised investigation platform with respect to medical evidence/records for PIL
- Centralising settlements and collections activity

Targeted development of the client care proposition:

- Purpose built onboarding and induction process for new colleagues to deliver enhanced client care from 'Day1'
- Implementation of a Class Actions Management system to support client distributions
- Machine learning based client triage pilot

Ongoing investments in our people:

- Flexible working arrangements to support Covid-19 response
- Employee Assistance Program for the wellbeing of our employees
- New recognition program for employees launched
- Enhanced company wide communications driven by CEO
- Invested in legal education capability

Balance sheet
Balance sheet strengthening continues

As reported ($'000)	30 Jun-20	30 Jun-21
Cash	26,461	20,697
Receivables	85,182	80,194
Net WIP	239,213	286,131
PPE	3,643	2,690
Right of use asset	19,705	15,572
Other	14,358	13,316
Total Assets	**388,562**	**418,600**
Payables	63,722	74,075
Borrowings	91,850	89,214
Leases	32,295	23,170
Deferred tax	15,219	22,418
Provisions	23,143	29,268
Total Liabilities	**226,229**	**238,145**
Net assets	**162,333**	**180,455**

Cash

+ Cash balance declined due to a combination of lower receipts, investment in business and net repayment of borrowings of $9m

Receivables

+ Balance declined due to a combination of lower billings, reducing debtor days and increased provisions on 3rd party funding with increased utilisation of this facility

WIP

+ Significant uplift reflecting active file growth, case mix and file progression

ROU and Leases

+ Reduction in ROU asset arising from increased amortisation and lease adjustments mainly due to not exercising options for lease extension as part of office rationalisation

Payables

+ Increased utilisation of Fair Go Funding for disbursement funding due to file growth

Deferred Tax

+ Increased deferred tax liability due to mismatch between accounting and income tax treatment of WIP

Borrowings

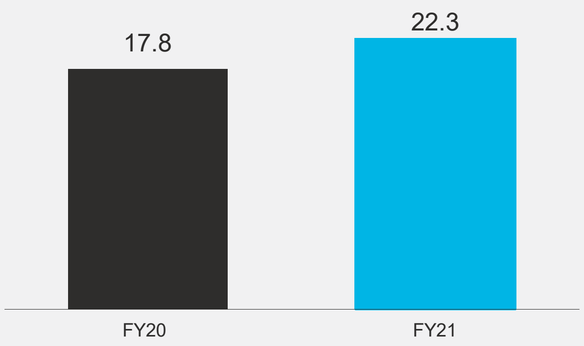
+ Slight reduction due to net repayment of borrowings partially offset by capitalised interest

Provisions

+ Increased provisions for annual leave and long service leave combined with make good due to office rationalisation

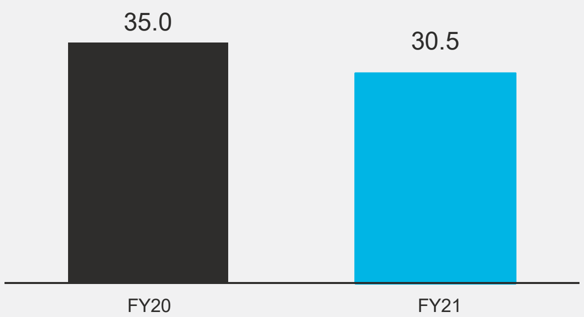
Working capital
Increasing efficiency

WIP turnover (months) [1]



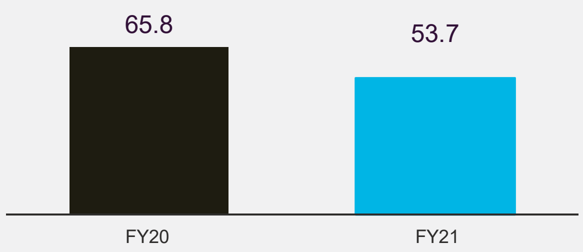
- Active file growth
- Increasing duration
- Class Actions lifecycle

Average 90+ days past due ratio (%) [3]



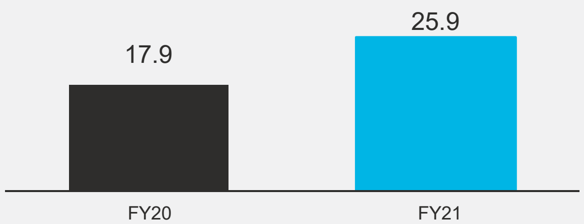
- Improved debtor management practices as part of improved collections process
- Increased focus on collections

Debtor Turns (days) [2]



- Benefitting from implementation of centralised billings and improved collections process

Third Party Funded Disbursements ($m) [4]

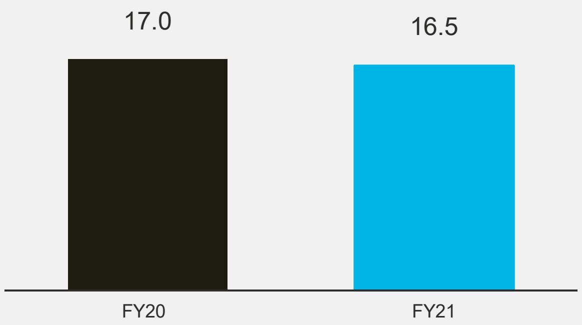


- Improved product design
- Better training and oversight to utilise funding available

[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

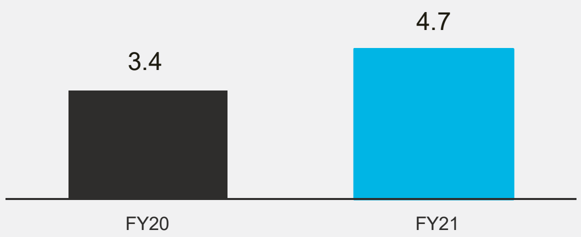
Balance sheet structure
Focus remains on optimising capital stack

Net Gearing (%) [1]



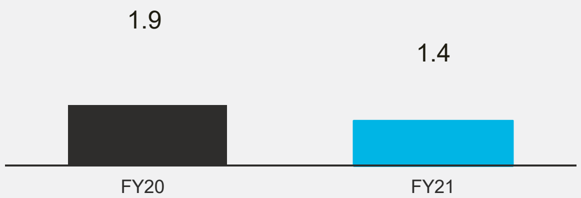
- Organic capital generation driven by return to profit
- Slight reduction in borrowings

Interest Coverage (x) [2]



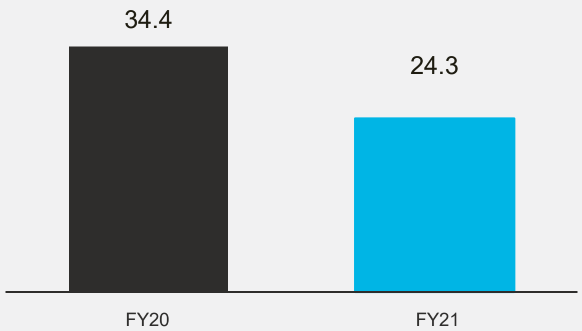
- Significantly improved operating performance

Net Debt / EBITDA (x) [3]



- Significantly improved operating performance

Weighted Average Time to Maturity (Months) [4]

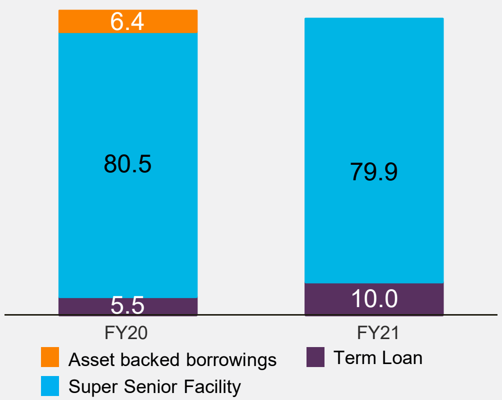


- Reduction in line with super senior facility maturity approaching July 2023

[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

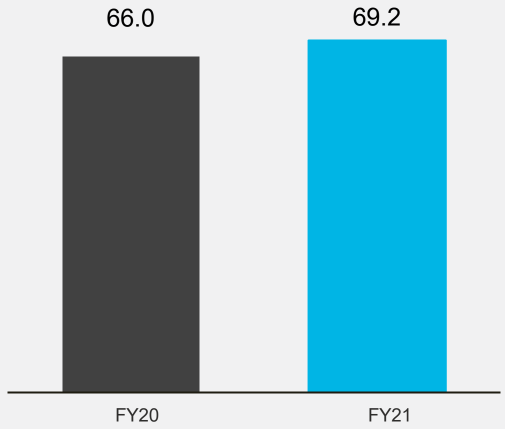
Funding summary
Focus on reducing gearing over time

Debt profile $m



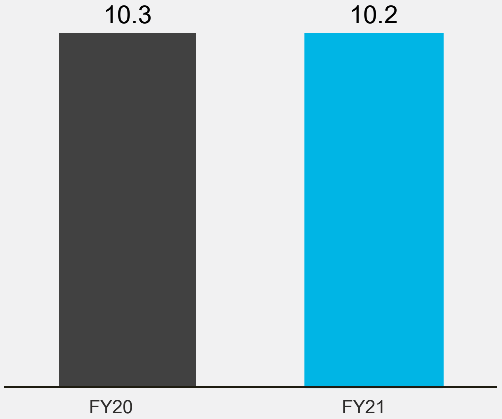
- Disbursement asset backed facility fully paid in 1H21
- Repaid $5.4m of the super senior facility. Commenced interest payments in 2H21. Facility matures on 31 Jul 2023
- Term loan facility revised with new facility commitment of $15m. Drew down $4.5m in 2H21. Facility matures on 6 Feb 2023
- Comfortable headroom under senior debt covenants

Net debt $m



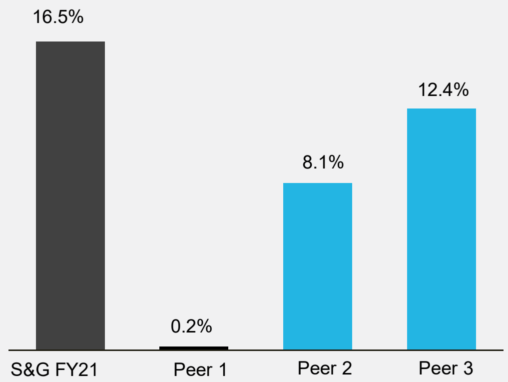
- Increase due to reduced cash balance

Finance charges excl. lease interest $m



- Improved terms of working capital facility offset by increased costs related to facility establishment fees

Net Gearing comparison (%) [1]

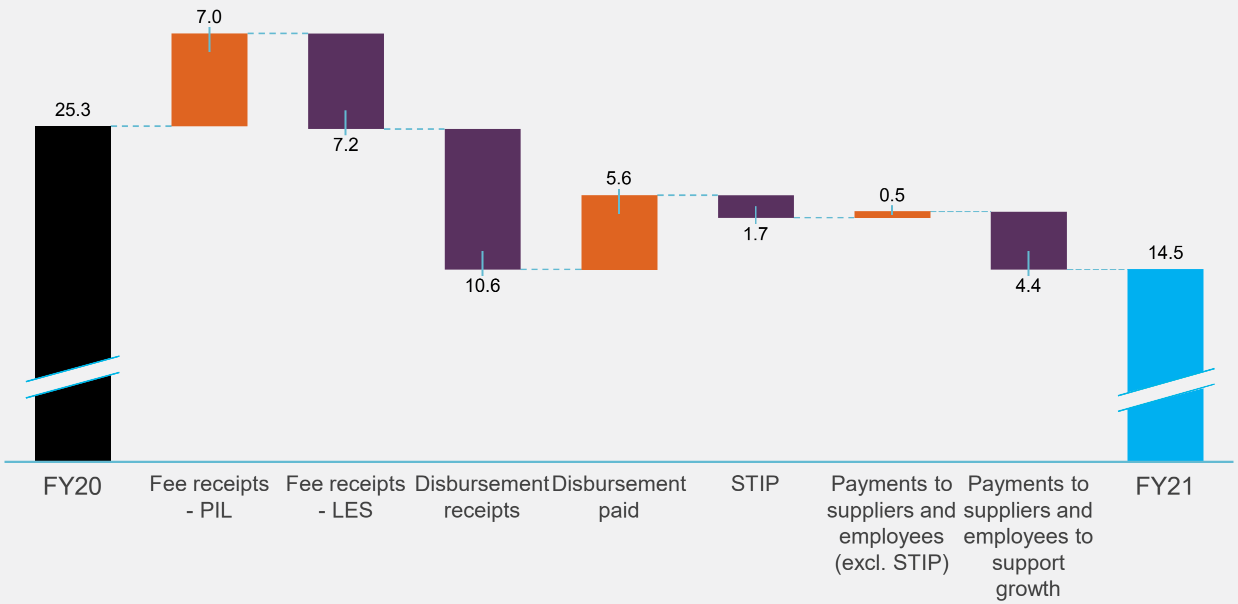


- Continue to refine capital stack to bring gearing more in line with peers

[1] Total interest bearing debt excluding lease liabilities – cash / Total assets. Gearing for peer1 reflects 1H21 ratio

Gross Operating Cashflow
Investment and growth impacting cash generation

Gross Operating Cash Flow movement ($m)



Fee receipts

- PIL receipts up reflecting improved debtor management, offset by lower billings
- LES receipts down due to fewer Class Actions settlements

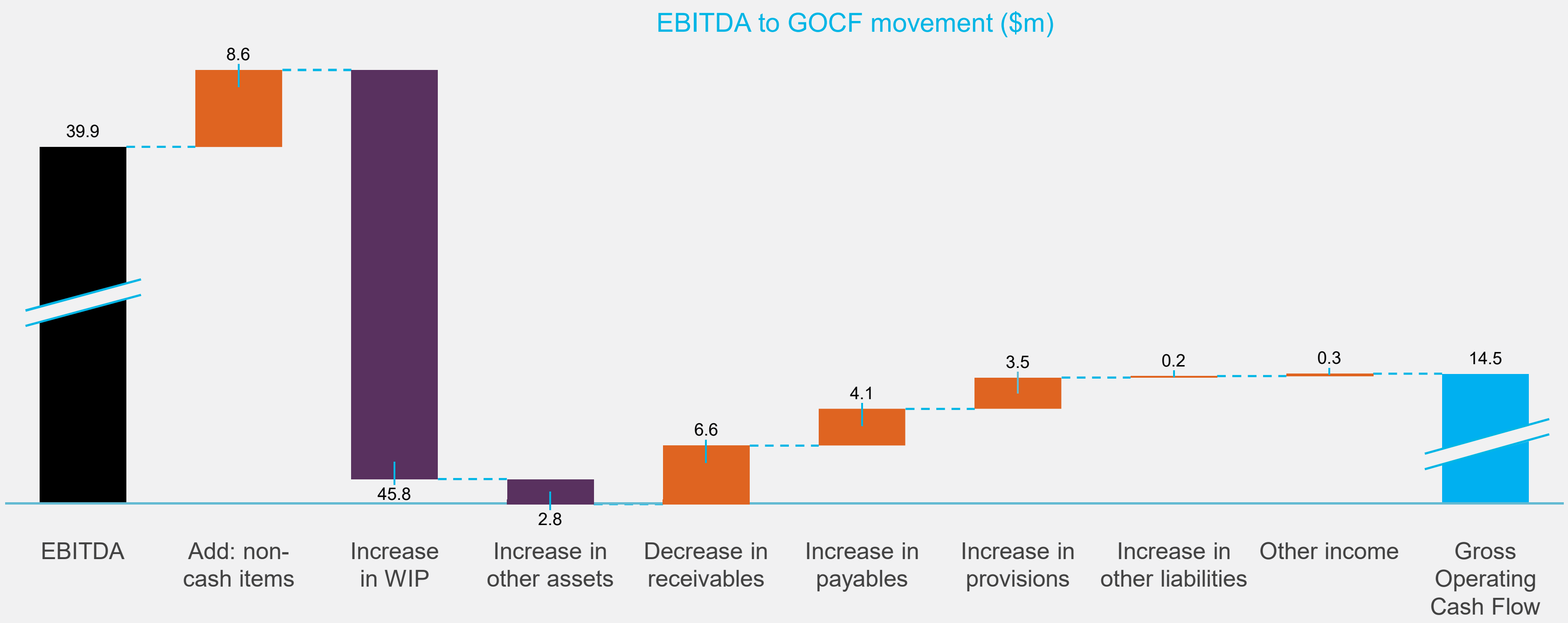
Disbursements

- Improved utilisation of 3rd party funding for disbursements
- Lower settlement volumes within both PIL and LES

Operating payments

- Increased STIP payment
- Higher employment and IT payments offset by lower consumables, lower transformation and redundancy expenditure
- Increase in marketing and people to support strategic priorities

EBITDA to Gross Operating Cashflow
Funding growth through working capital management



- Strong management of debtor book facilitated cash generation to support growth
- Focused working capital management enabled strong WIP growth to be self funded

Note: See also Note 5 in FY21 Financial Accounts. This reconciles net operating cashflow to net profit after tax.

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Concluding remarks
Driving growth, building advantage, creating value

- Purpose driven – focused on our clients and our people
- ~$1.8b market – fragmented and inefficient
- Iconic brand, clear 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

$'000	FY20	FY21
Profit before tax – excluding discontinued operations	(199)	21,263
Add: Depreciation and amortisation	9,444	7,978
Add: Finance charges	12,712	11,791
Deduct: Other income	(1,093)	(1,102)
EBITDA	20,865	39,930
Add: Specified items		
Retention bonuses and LTIP	5,028	3,963
Redundancy costs	2,073	769
Transformation expenditure	7,361	3,950
Total specified items	14,462	8,683
Total EBITDA excluding specified items	**35,327**	**48,613**

EBITDA schedule

$'000	FY20	FY21
Fee revenue	161,407	154,245
Change in Work in Progress	15,839	48,096
Bad and doubtful debts	(4,850)	(4,983)
Net operating revenue	172,396	197,358
Labour – ex specified items	(97,279)	(105,188)
Occupancy	(1,766)	(2,689)
Marketing, advertising, business development	(11,207)	(12,319)
Administration and office expenses	(17,992)	(17,339)
Other expenses – ex specified items	(8,824)	(11,210)
Total expenses – ex specified items	(137,069)	(148,745)
EBITDA excluding specified items	35,327	48,613
Specified items	(14,462)	(8,683)
EBITDA	**20,865**	**39,930**

Reconciliation of FY21 statutory to adjusted FY21

$'000	FY21 Statutory	Labour specified items	Transformation specified items	Change contracting	FY21 ex Specified Items
Fee revenue	154,245				154,245
Change in Work in Progress	48,096				48,096
Bad and doubtful debts – ex specified items	(4,983)				(4,983)
Net operating revenue	197,358				197,358
Labour – ex specified items	(113,068)	7,880 [1]			(105,188)
Occupancy	(2,689)				(2,689)
Marketing, advertising, business development	(12,319)				(12,319)
Administration and office expenses	(17,511)		172 [1]		(17,339)
Other expenses – ex specified items	(11,841)		631 [1]		(11,210)
Total expenses – ex specified items	(157,428)	7,880	803		(148,745)
EBITDA excluding specified items and other income	39,930	7,880	803		48,613
Add / (Deduct) specified items	-	(7,880)	(803)		(8,683)
EBITDA	**39,930**	**-**	**-**	**-**	**39,930**

[1] See p25

Reconciliation of FY20 statutory to adjusted FY20

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

[1] See p25

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

Litigation Pioneers
1950’s - 2000’s

Ok Tedi

WA office opened

Wittenoom

HIV actions

No win. No fee.

First to offer ‘No Win No Fee’

First to use TV

Listing and Expansion
2007 - 2017

	World’s first listed law firm
TRILBY MISSO	QLD expansion
KEDDIES LAWYERS	NSW build out
Conveyancing Works Solicitors	General Law growth
Quindell	UK Expansion

Recapitalisation and turnaround
2017 +

- 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

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