

ASX Announcement

18 November 2021

Annual General Meeting – Chair’s Address

Slater & Gordon Ltd (“Slater & Gordon” or “the Company”)(ASX: SGH) provides below the Chair’s Address to the 2021 Annual General Meeting to be held today at 11.30am online via the Lumi platform.

Elana Rubin, Acting Chair:

I want to start my address today by thanking our people at Slater & Gordon, for the incredible way they have embraced the challenges of the past 12 months, the way they have come together to support each other and our clients, and their tireless work to make tomorrow start today for our clients.

I thank each and every one of our people for their tenacity, strength and resilience, and for their unwavering commitment to providing our clients with the best care and achieving the best results for them.

And I want to thank our clients for embracing new ways of engaging with their legal teams, and for the support they have shown Slater & Gordon and our people.

I would also like to thank our unions, regulators and broader stakeholders, for their ongoing support. It has been a tough and uncertain year for many, so their ongoing support has been all the more appreciated.

COVID-19 has also presented opportunities. The Company is using the learnings from new ways of working as a result of the pandemic, to embed innovation and more efficient practices into the business, in ways which improve our clients’ experiences and build the law firm of the future.

Moving now to some commentary around the Company’s financial performance for the year ended 30 June 2021.

The results show Slater & Gordon continues to improve and continues to lay strong foundations for future growth. For the first time since its recapitalisation in 2017, the Company returned to core profitability, with a net profit after tax of \$14.5m. This was driven by an increase in work in progress (WIP), in both the personal injury law, and class actions practices.

The Company reported EBITDA before specified items of \$48.6m, an improvement of over \$13m on the prior year.

Revenue was \$203.4m, compared to \$178.3m in the prior year.

Although the profit and revenue results were pleasing, the Company’s cash reserves are funding growth, and therefore total cash generation was down on the previous year.

Gross Operating Cashflow was \$14.5m, compared to \$25.3m in the prior year. This reflected the Company’s growth in WIP, with fees billed being slightly down on the prior year, in part due to fewer class action settlements, the impacts of COVID-19, and the Company’s ongoing investment in transformation and future growth.

The COVID-19 pandemic did not appear to have had a material impact on the Company's financial performance during the financial year ended 30 June 2021. There was no impact to asset values, and total revenue was at least in line with the Company's pre-COVID-19 trajectory.

However, government-imposed restrictions and lockdowns during the year, in particular in Victoria, had some impact on our ability to progress clients' claims, with medical panels and courts and tribunals being delayed in their activities due to the restrictions and lockdowns. This had some negative impact on the Company's fees billed and cash flows, although WIP continued to improve.

We did not receive any support under the Federal Government's JobKeeper support scheme.

Turning to the Balance Sheet - during the year, the Company continued its work to strengthen its balance sheet, and in September 2020 completed a partial repayment of its Super Senior Facility, as part of a loan repayment tender process.

The Company repaid a total of \$5m to its Super Senior Facility lenders, but at less than 100 cents in the dollar, reducing the amount outstanding under the facility by approximately \$5.4m.

In September 2020, the Company also replaced its Disbursement Asset Backed Facility, with a new and more favourable Working Capital Term Loan Facility.

The work on the Company's balance sheet is ongoing, and a major focus of the Board and leadership team.

Slater & Gordon had a very strong year last year, growing revenue at 14.2% with margin expansion, shifting us back towards our peer group while growing our active files in a flat market.

The focus over the coming year is to consolidate this growth, continue operational improvements around file progression, and improve cash conversion while continuing to invest in the business.

This leads me to some commentary around our performance during the current financial year to the end of October 2021.

Our two largest states have endured lockdowns for most of the current financial year. While lockdowns are not new, the recent lockdowns have led to a slowing of compensable personal injury rates in Victoria and New South Wales. We have also experienced slower file progression and subsequently slower file conclusions.

Now that restrictions have eased in Victoria and New South Wales, we expect these issues to resolve over the balance of our financial year. Our expectation is that client settlements not concluded in the current half, will settle in the second half. This dynamic may negatively impact our first half results.

In conclusion, Slater & Gordon had a solid year last year, with further progress being made on the Company's transformation, but we know that we still have more work to do.

Thank you for your support as we continue to build the law firm of the future.

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