

ASX Announcement

26 August 2022

Slater & Gordon Ltd FY22 Full-Year Financial Results and Business Update

Slater & Gordon Ltd (“Slater & Gordon” or “the Company”) (ASX: SGH) today announced its full year results to 30 June 2022 (FY22).

The results show the Company was able to turn around its performance in the second half, reporting a net profit after tax for the full year ended 30 June 2022 of \$2.2m. This follows a net loss of \$7.5m in the first half of FY22 and compares to a net profit after tax for the full year ended 30 June 2021 (FY21) of \$14.5m.

Having been adversely impacted by the COVID-related lockdowns, particularly in Victoria, over the past two years, Slater & Gordon is now back on its trajectory of improvement and continues to lay strong foundations for future organic growth.

The Company also reported EBITDA before specified items¹ of \$29.3m, compared to \$48.6m in FY21. Fee revenue on this basis increased by 0.8% and costs¹ decreased by 0.7%.

Gross Operating Cashflow was \$(6.0)m, compared to \$15.4m in FY21 reflecting the Company’s ongoing investment in growth areas and the impacts of COVID and prolonged lockdowns on the pace of file progression in the first half of FY22.

Business Highlights

Highlights included:

- Prioritising and protecting the health and wellbeing of the Company’s clients and employees, driving the Company’s COVID-19 response.
- Continuing significant investment in the Company’s digital capability, with more clients choosing to engage with Slater & Gordon digitally and embedding flexible and hybrid working practices for our people.
- On a pro bono basis, 73 employees volunteered to support Afghan refugees with immigration applications.
- Recognised by the Bar Association of Victoria as one of only 14 law firms, and one of only two plaintiff firms, in the State to have reached the Australian Law Council’s Equitable Briefing Policy target of briefing women barristers.

Statutory Results

The financial report also shows the Company ended the full-year with:

- Total revenue and other income from continuing operations of \$182.6m made up primarily of fees billed of \$155.4m and WIP growth of \$26.6m, compared to the prior corresponding period (PCP) when total revenue and other income was \$203.8m comprising primarily fees billed of \$154.2m and WIP growth of \$48.1m.
- Expenses relating to continuing operations of \$179.2m, compared to \$182.5m in the PCP.
- A net profit before income tax from continuing operations of \$3.5m (PCP: net profit of \$21.3m).
- Operating cash outflows from continuing operations of \$14.4m (PCP: inflow \$12.0m), reflecting higher net disbursements in PIL and Class Actions as well as an increase in labour and vendor payments, offset partly by higher fees billed in PIL.
- A net asset position of \$184.0m (PCP: \$180.5m).

¹ Adjusted for certain cash and non-cash items relating to transformation and normalisation of the Company (i.e. specified items).

COVID-19

The COVID-related lockdowns across metropolitan Melbourne, Sydney and Canberra during the first half of FY22 and the ongoing COVID-related work restrictions, which continued into the early part of the second half have impacted the Company's performance and its FY22 result. Those lockdowns and other restrictions, resulted in fewer road and workplace accidents, with those people with latent claims from the period prior to the lockdowns having already been identified and assisted during the FY20 and FY21 lockdown periods. These circumstances resulted in lower file openings and in delays in progressing existing claims during the first half of FY22.

However, with the lockdowns and other restrictions being relaxed toward the end of the first half and into the second half and with people returning to the road and workplace, enquiry levels returned to pre-pandemic levels. The barriers to claims progression were also largely removed.

Second half performance improved and the Company moved from a \$7.5m loss in the first half to a small \$2.2m profit for the full year.

The Company did not qualify for, apply for or receive any support under the Federal Government's JobKeeper support scheme.

CEO's Quotes

Slater & Gordon CEO, John Somerville, said:

"I want to thank our people for the commitment, empathy and care they unwaveringly showed to our clients and to each other over the past 12 months.

"When we reported our half year results in February, we said we had started to see signs of improvement following the lifting of lockdowns and we are pleased that the second half saw the continuation of that trend with the business returning to deliver an overall profit for the year.

"Our firm continues to make good progress on its improvement and growth plans, but we recognise we still have more work to do."

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