

ASX Announcement

24 February 2023

Slater & Gordon Ltd FY23 Half-Year Financial Results Investor Presentation

Slater & Gordon Ltd (“Slater & Gordon” or “the Company”) (**ASX: SGH**) attaches its FY23 Half Year Results Presentation Slides.

ENDS

Contact:

Media

Kate Van Poelgeest – Head of Media and Communications

(07) 3331 9720 or kate.vanpoelgeest@slatergordon.com.au

We'll take it from here + **Slater
Gordon**
Lawyers



Results Announcement

February 2023

John Somerville
Chief Executive Officer

Kate Malone
Chief Financial Officer

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All financial performance analysis in this presentation is based on publicly available information up to and including Slater & Gordon’s results for the half year ended 31 December 2022.

Slater & Gordon will not be providing any forecasts, forward looking statements or guidance in relation to its results beyond the period ended 31 December 2022.

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Business highlights

Strong NPAT driven by PIL¹ fee revenue & WIP growth

- + Delivered PIL² fee revenue increase of 15%
- + PIL enquiries were 14% higher, returning to pre-pandemic levels
- + Leading and growing national market share³
- + Maintained highest prompted brand awareness in all our key markets⁴
- + Settled five class actions including three consumer credit insurance cases against ANZ, CBA and Westpac
- + Positive GOCF⁵ for the half driven by strong fee revenue in PIL, continued focus on improving EBITDA/Cash conversion
- + Maintained strong cost controls despite inflationary pressure

¹ Personal Injury Law

² 1st half FY23 compared to 1st half FY22

³ IBIS World Industry Report OD5519

⁴ Nature: November 2022 – No 1 in all Vic, NSW, WA & No 2 in Qld

⁵ Gross Operating Cashflow

1H23 performance – Recovery continues

PIL matter progression delivering strong 1H results

37%
\$110.0m
Net revenue

815%
\$ 35.7m
EBITDA ²

323%
\$ 16.7m
Net Profit after Tax ¹

640%
\$5.5m
Gross Operating
Cashflow

20.8%
Net gearing ³

14.1%

PIL enquiries

Flat

Net PIL matter
growth

21

Active Class
Actions

29

NPS ⁴

Note: Variance is to PCP

¹ Statutory basis

² EBITDA excluding specified items as set out on p 22

³ Debt excluding lease liabilities – cash / Total assets

⁴ Net Promoter Score - Source - Kantar April 2022

Delivering on our strategy

Aligned to our clients & values

Differentiate
through our care



- + Settled 5 class actions – including 3 consumer credit insurance class actions for customers of ANZ, CBA and Westpac
- + Achieved ground-breaking decision in High Court on behalf of West Australians affected by the 2014 Perth Hills bushfires
- + Continued to strongly advocate for the rights of our clients and supported hundreds of clients through our free, in-house social work service
- + Announced investigation of data breach class action against Optus

Passionate & skilled,
acting as one team



- + National practice groups embedded across the firm delivering clear career paths for our people
- + 36 accredited specialist lawyers and 30 lawyers named in *Doyle's* List across our practice groups
- + Built out our Legal Education and Leadership Development programs
- + Launched firm wide recognition program for employees called the S+G Sapphire awards

Simplify & digitalise
our processes



- + More clients opting to initially engage with us digitally
- + Continued to invest and embed technology to support our clients and enable hybrid working
- + Delivered new and improved digital solutions across our personal injury practice for legal teams and clients

Explore & grow
into our opportunities



- + Maintained leading and growing market share
- + Continued to grow our Abuse practice
- + Expanded our referral partners programmes

Subsequent event note

The following appears in the notes to the 1H'23 Financial Statements:

On 23 February 2023, after market close, the Company signed a Bid Implementation Agreement (“BIA”) with a subsidiary of Allegro Funds Pty Ltd (“Allegro”). The BIA provides for a recommended off-market takeover offer at \$0.55 cash per share by Allegro to acquire all of the issued fully paid ordinary shares in the Company. Allegro has also advised that it has made private treaty offers to the holders of the Company’s super senior facility debt.

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Earnings overview

Improved NPAT result driven from stronger file progression

(\$m)	1H22	1H23	Var	Var %
Fee Revenue	78.2	89.3	11.1	14%
Change in WIP	6.9	24.8	17.9	259%
Bad & Doubtful Debts	(4.9)	(4.1)	0.8	(16%)
Net operating revenue before specified items	80.2	110.0	29.8	37%
Labour	(57.2)	(55.3)	1.9	(3%)
Non-labour costs	(19.1)	(19.0)	0.1	(1%)
EBITDA before specified items	3.9	35.7	31.8	815%
Specified items ¹	(4.1)	(1.1)	3.0	73%
EBITDA	(0.2)	34.6	34.8	Large
NPAT including other income from continuing operations	(7.7)	16.7	24.4	317%
NPAT including other income & discontinued operations	(7.5)	16.7	24.2	323%

Revenue growth is driven by improved matter velocity and mix shift towards higher value matters along with 'catch up' on prior year delay

- + Increase in PIL fee revenue driven by stronger resolution rate and growth in Emerging and Civil practices
- + Class Actions fee revenue lower arising from shift in portfolio mix from litigation funded to Group Costs Order matters
- + Improved WIP ² growth reflects an increase in PIL matter velocity due to post covid normalisation and catch up and growth in new matters in Emerging and Civil practices offset by reduction in Work & Road practice

Continued focus on cost controls

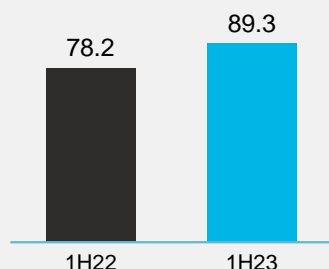
- + Labour costs largely flat, though benefited from non-cash write back of prior year short term bonus accrual that ultimately were not paid (\$3.5m)
- + Continued focus on cost reduction across facilities, IT and Admin expenses
- + Specified items are \$3.0m lower due to lower long term incentive plan costs and reimbursement of legal costs on litigation

¹ Specified items as set out on p 22
² Work In Progress

Earnings movement

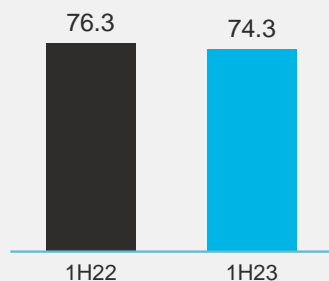
Strong EBITDA driven by improved WIP growth

Net Fees (\$m)



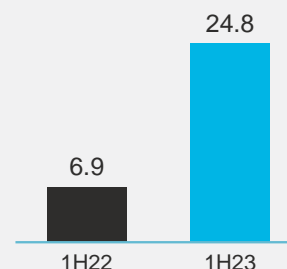
- + PIL fees up \$11.3m, driven by higher settlements and higher average fees per settlement due to growth in Emerging and Civil practices
- + General Law ¹ fees \$(0.2m) lower due to slower matter progression in LAGL and I&E practices

Expenses (\$m) ²



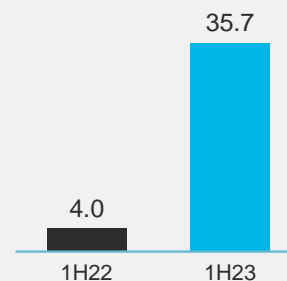
- + Labour cost flat excluding prior year bonus provision releases
- + Continued focus on administration cost reductions

Change in WIP (\$m)



- + PIL WIP movement was higher due to higher enquiries and new matter growth and improved matter progression
- + Class Actions WIP growth driven by increase in NWNF ³ / GCO ⁴ matters

EBITDA (\$m) ²



- + Key driver of EBITDA movement is attributable to higher fee revenue and change in WIP

¹ General Law includes Class Actions, Land Acquisition & General Litigation (LAGL), Industrial & Employment Law (I&E)

² Expenses & EBITDA excluding specified items as set out on p 22

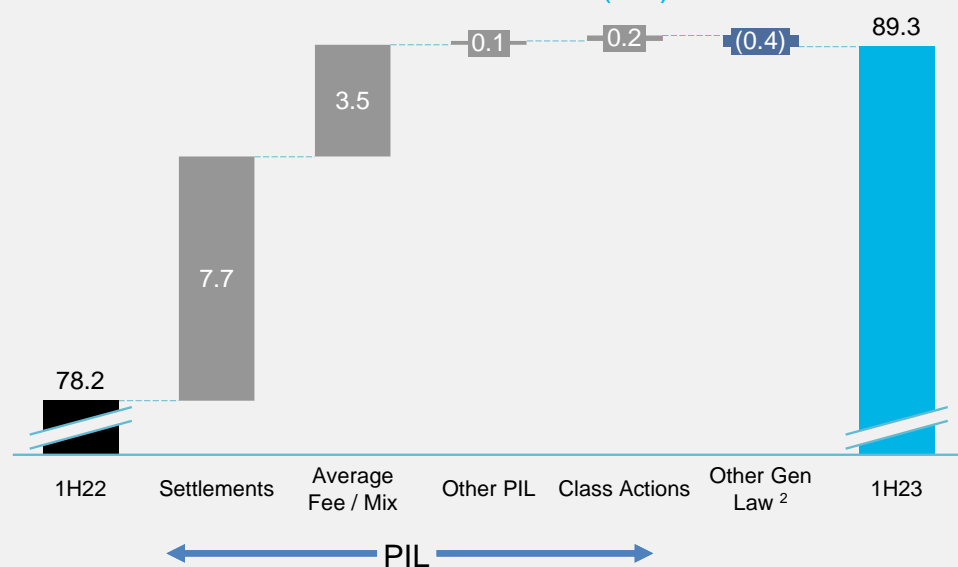
³ No Win No Fee

⁴ Group Cost Order

Fees & WIP Waterfalls

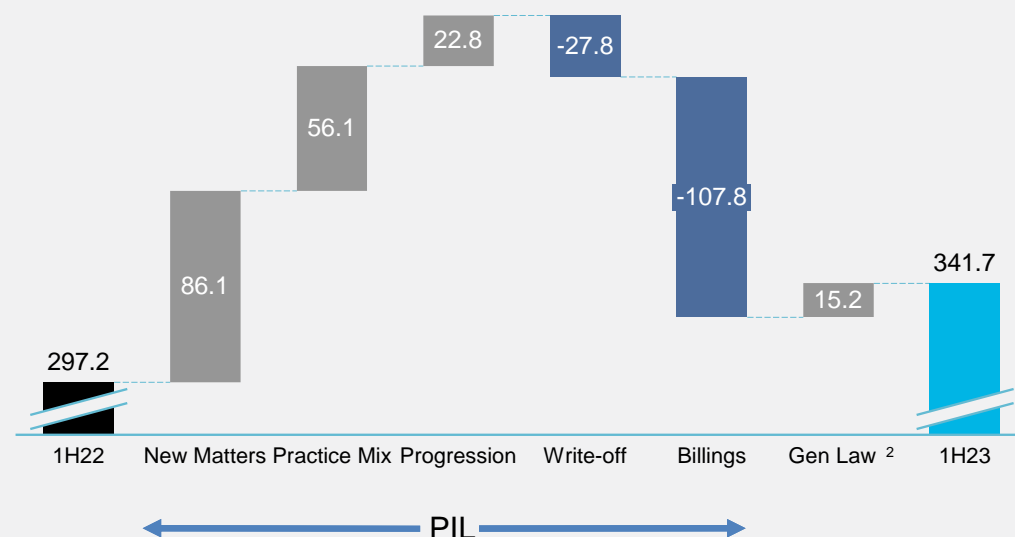
Strong fees & continued growth of WIP

Fees Billed 1H23 v 1H22 (\$m)



- + Stronger fees billed due to higher number of settlements
- + Improvements in average fee / matter mix due to the type of cases resolving and stronger billing within Civil and Emerging practices
- + General Law ² down by \$0.2m due to lower progression in LAGL & I&E; slightly offset by higher Class Actions fees

WIP Balance 1H23 v 1H22 (\$m) ¹



- + PIL WIP movement of \$16.5m was \$16.9m higher than 1H22, primarily due to solid matter progression and favourable change in matter mix
- + 3,622 new matters for 1H23
- + 3,696 matters settled, with improvements in success rates & write-offs
- + General Law WIP movement is \$1.0m higher than 1H22 driven by strong matter progression
- + Improvement in matter mix resulting in higher average WIP per matter

¹ WIP before ECL

² General Law includes Class Actions, Land Acquisition & General Litigation (LAGL), Industrial & Employment Law (I&E)

Balance Sheet

Net Assets increasing primarily due to WIP growth

As reported (\$m)	Jun-22	Dec-22	HY23 v FY22
Assets			
Cash	15.6	13.8	(1.8)
Receivables	88.7	93.9	5.2
Net WIP	313.7	338.4	24.7
PPE	2.1	1.6	(0.5)
Right of use asset	13.7	11.8	(1.9)
Other	10.0	9.7	(0.3)
Total Assets	443.8	469.2	25.4
Liabilities			
Payables	76.4	78.2	1.8
Borrowings	108.7	111.8	3.1
Leases	21.1	18.9	(2.2)
Deferred tax	24.0	31.3	7.3
Provisions	29.6	28.3	(1.3)
Total Liabilities	259.8	268.5	8.7
Net assets	184.0	200.7	16.7

Assets increased by 6% due to WIP & receivables

- + \$1.8m decrease in cash primarily due to continued growth in WIP and higher disbursements in Class Actions
- + \$24.7m WIP growth due to PIL matter mix and matter progression across PIL and Class Actions
- + \$5.2m increase in receivables due to \$3.9m increase in 3rd Party funding of disbursements and \$1.5m increase in office funded disbursements due to continued build of Class Actions
- + Decrease in right of use asset is offset by lease liabilities

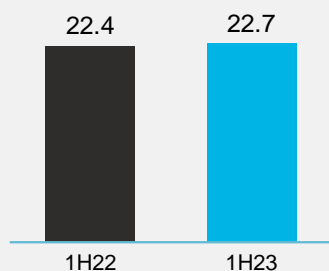
Tax & borrowings driving increase in liabilities

- + \$1.8m higher payables due to \$3.9m increase in 3rd Party funding for disbursements; offset by a reduction in legal creditors & other payables
- + \$3.1m increase in borrowings due to accrued interest on Super Senior Facility
- + \$7.3m increase in deferred tax due to 1H23 profit

Working capital

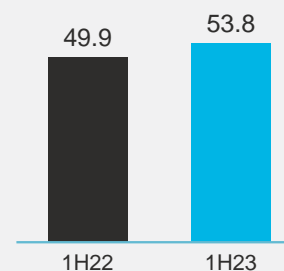
Trends remain broadly stable

WIP turnover (months) ¹



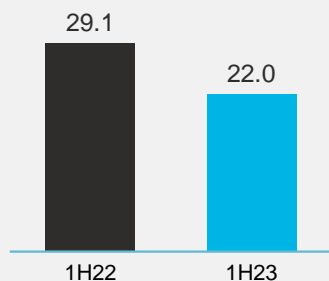
- + WIP balance has grown at a faster rate than Fees revenue due to continued investment in growth practices with longer matter duration

Debtor Turns (days) ²



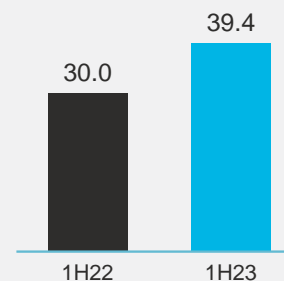
- + Continued improvement around collections efficiencies, slightly offset by high billings in Dec-22

Average 90+ day debtors ratio (%) ³



- + 90+ day debtors ratio reduced by 7%
- + Continued focus on debtor collections

Third Party Funded Disbursements (\$m) ⁴



- + Continued improvement on uptake of third party funded disbursements

¹ Average WIP / Gross Fees x6 for half year

² Ending Total Debtors / Rolling 12 months Total Billings x 365 where Total Debtors & Total Billings include Fee, Disbursement, GST.

³ Average of daily ratios for each year

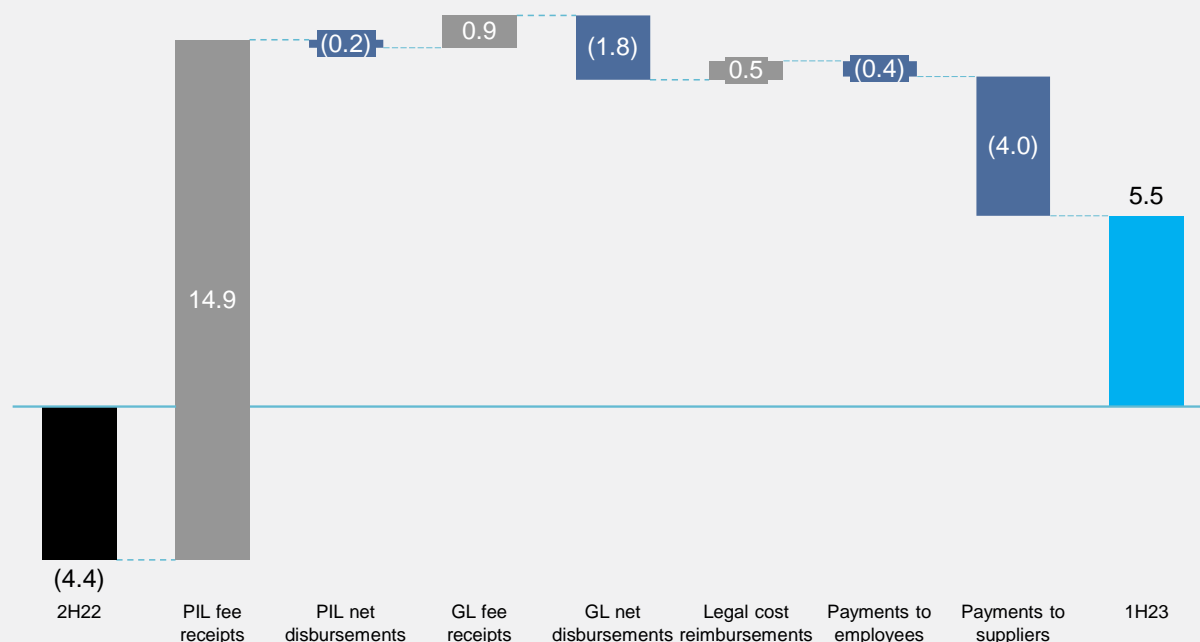
⁴ Period close third party funding balance – PIL practice groups only

⁵ GL = General Law, which includes Class Actions, Land Acquisition & General Litigation (LAGL), Industrial & Employment Law (I&E)

Gross Operating Cashflow

Positive GOCF driven by stronger receipts in PIL

Gross Operating Cash Flow movement (\$m)



Fee Receipts higher in PIL and General Law

- + PIL fee receipts were higher driven by both a mix of higher number of settlements and higher average fees due to shift in portfolio mix
- + GL fee receipts were higher due to higher fee revenue primarily within Class Actions

Disbursements reflect investment in growth practices

- + PIL net disbursements have improved as take up of third party funding has increased
- + Lower GL net disbursements driven by continued build of Class Actions portfolio and focus on GCO cases

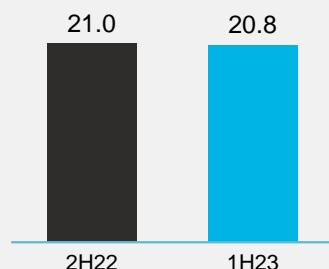
Operating Payments

- + Higher payments to employees reflecting growth in FTE and salary increases offset by lower bonus payments
- + Higher payments to suppliers due to timing of IT and transformation costs; timing of payments resulting in a reduction in payables and higher GST remitted to the ATO due to higher billings

Balance sheet structure

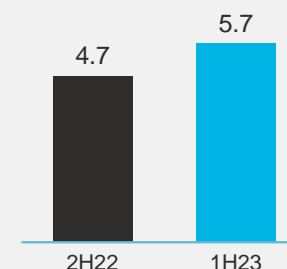
Operating performances driving improvements in balance sheet measures

Net Gearing (%) ¹



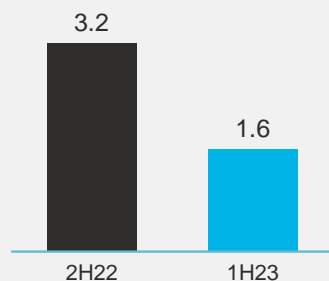
- + Net gearing impacted by capitalised interest on SSF Loan facility and reduction in cash

Interest Coverage (x) ²



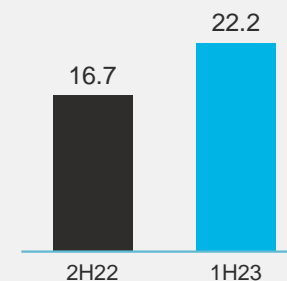
- + 1H23 driven by strong operating performance
- + Slightly offset by higher interest costs due to rising interest rates

Net Debt / EBITDA (x) ³



- + Higher EBITDA
- + SSF loan increased during the year due to capitalised interest
- + Lower cash balance

Weighted Average Time to Maturity (Months) ⁴



- + SSF Loan extended from July 23 to October 24
- + Term loan expiry remains Dec 24

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

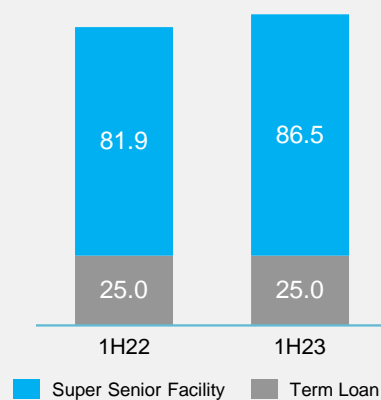
² EBITDA excluding specified items / Finance charges excluding imputed lease interest

³ Total interest bearing debt excluding lease liabilities – cash / 12 month EBITDA excluding specified items

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

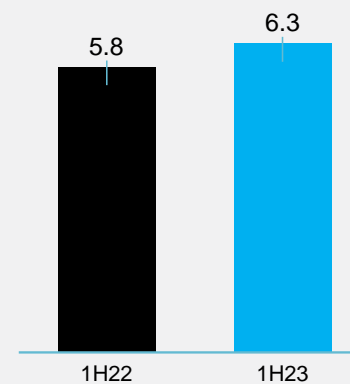
Funding summary

Debt profile (\$m)



- + Increase in SSF loan attributable to capitalised interest

Finance charges excl. lease interest (\$m)



- + Additional interest from the additional loan drawdown on new Term Loan

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Appendix

Clear strategy

Aligned to our clients & 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 & commitment				
Why we do it		We make tomorrow start today for our clients				
How we will win		Differentiate through our care	Passionate & skilled, acting as one team	Simplify & digitise our processes	Explore & 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 & risk management	Strong balance sheet & cashflows

Proud legacy, focused for the future

Establishment 1930's - 40's



Firm founded in 1935
by Bill Slater &
Hugh Gordon

Deep & enduring links to
the labour movement forged



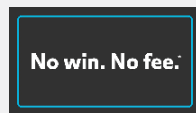
Leader in Victorian Workers
Compensation reform



Ok Tedi



Wittenoom



First to offer
'No Win No Fee'



WA office opened



HIV actions



First to use TV

Listing & Expansion 2007 - 2017



World's first listed law firm



QLD expansion



NSW build out



General Law growth



UK Expansion










Recapitalisation & turnaround 2017 +

- + Bank debt acquired by hedge funds led by Anchorage Capital
- + S&G Australia separated from UK business
- + New Board & management team appointed
- + Prioritising investment & capital to support refined business model
- + 2017 - achieved a \$70M settlement on behalf of 1,923 detainees who were held at the Manus Island Detention Centre
- + 2018 - Launched Get Your Super Back Campaign - a series of class actions on behalf of millions of Australians
- + 2021 - In an Australian first, led by S&G & the RACS¹ on a pro bono basis, the Federal Government was ordered to pay almost 1300 refugees compensation after accidentally leaking their personal data
- + 2022 - Move to National Practice Lines across the firm
- + SSF maturity date extended to 2024

¹ Refugee Advice and Casework Service (RACS)

Our Services

Personal Injury Law - Diversified national practice lines

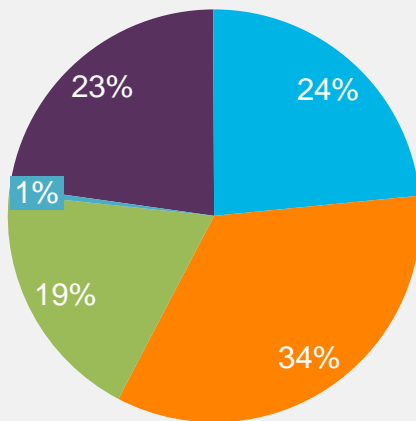
	Road Traffic & WC			Civil			Emerging Practices		
Practice	Motor Vehicle Accident 	Work Cover 	Comcare 	Public Liability 	Medical Negligence 	Dust Disease 	Abuse 	Disability Insurance 	Military Comp 
Overview	<ul style="list-style-type: none"> + Motor vehicle accident claims + State by State regulation + Counterparty either personal insurance company or State insurance scheme (TAC in Victoria) + Impacted by population growth and overall long-term trend towards improvement in road safety 	<ul style="list-style-type: none"> + Accidents / illness arising from the workplace + State by State regulation, with some states offering a government owned and run system, others are run through licensed insurers + Impacted by population growth and overall long-term trend towards improvement in workplace safety 	<ul style="list-style-type: none"> + Accidents / illness arising from the workplace in Commonwealth workers + Commonwealth's workers' compensation scheme under the Safety, Rehabilitation and Compensation Act; and the Work Health and Safety Act 2011 (WHS Act) 	<ul style="list-style-type: none"> + Claims caused by the fault of an individual or organisation that do not fall within the other PIL compensation schemes + Generally low consumer awareness of potential public liability claims within Australia 	<ul style="list-style-type: none"> + Legal claims arising from harm caused in the provision of healthcare + State by state regulation but principles are broadly similar nationwide 	<ul style="list-style-type: none"> + Claims arising from disease and illness due to exposure to asbestos + State by state regulation but principles are broadly similar nationwide + Decline in asbestos and mesothelioma claims offset by emerging areas including silicosis 	<ul style="list-style-type: none"> + Claims arising from cases of sexual or physical abuse at institutions, schools (and other educational settings), sporting clubs, prisons and other correctional facilities, public places, workplaces, in medical care etc. + State by state regulation but principles are broadly similar nationwide + Increasing claims due to consumer awareness 	<ul style="list-style-type: none"> + Claims where plaintiffs are entitled to additional compensation through their superannuation policies + Governed by a national legislative framework + Tightening of TPD definitions and removal of multiple claims impacting claims + Targeting non-injury claims and maximising internal referrals represents growth potential 	<ul style="list-style-type: none"> + Claims arising due to injury or illness while serving in the Australian Defence Force, the individual and relevant dependents will be entitled to a range of benefits and entitlements + Governed by a national legislative framework + Stable market with shifting injury mix towards PTSD claims

Consumer facing business with AAA debtors (insurers, governments etc.)

Our services

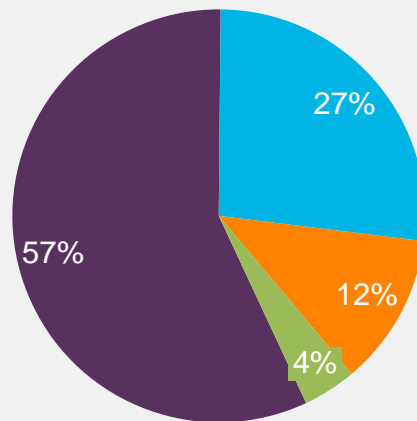
Diversified portfolio of matters

Share of HY23 PIL
WIP by Practice¹



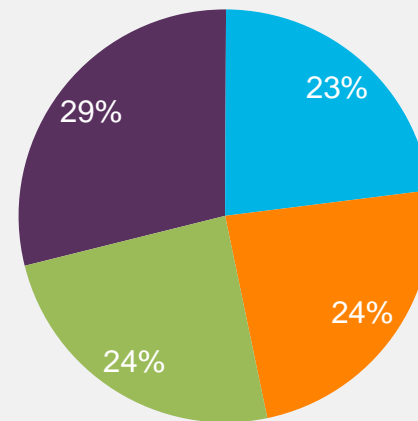
- Motor Vehicle Accident
- Workers Compensation
- Civil
- Emerging Practice
- Other

Share of HY23 PIL
WIP by locations



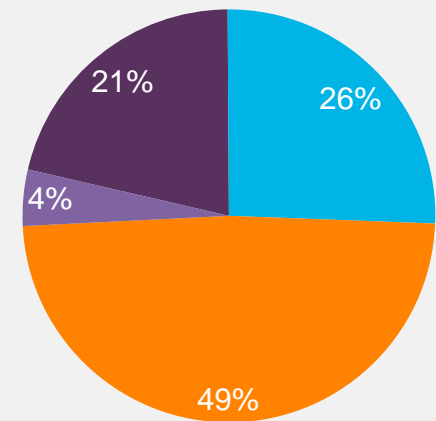
- VIC
- NSW/ACT
- QLD
- WA

Share of HY23 Class
Actions
WIP by action type



- Shareholder
- Superannuation
- Tort/Product Liability
- Consumer Protection

Share of HY23 Class
Actions
WIP by funding source ²



- Litigation Funded
- GCO
- No Win No Fee
- Other

¹ PIL WIP – Civil includes, Asbestos, Medical Negligence, Public Liability. Emerging Practice includes Abuse, Military Comp & Super TPD

² No Win No Fee includes one matter which is seeking Lit Service Fee approval and GCO includes all matters that are seeking GCO approval

Reconciliation of PBT to EBITDA & EBITDA before specified items

\$'000	1H22	1H23	Var
Profit before tax – excluding discontinued operations	(10,706)	23,948	34,654
Add: Depreciation & amortisation	4,123	3,346	(777)
Add: Finance charges	6,764	7,374	610
Deduct: Other income	(337)	(49)	288
EBITDA	(156)	34,619	34,775
Add: Specified items			
Retention bonuses & LTIP	763	164	(599)
Redundancy costs	306	-	(306)
Transformation expenditure	1,710	1,914	204
Other non core expenditure	1,348	(982)	(2,330)
Total specified items	4,127	1,096	(3,031)
Total EBITDA excluding specified items	3,971	35,715	31,744



Media

Kate Van Poelgeest – Head of Media & Communications

kate.vanpoelgeest@slatergordon.com.au

(07) 3331 9720

Investors

Kate Malone – CFO

kate.malone@slatergordon.com.au

(03) 9602 6889