SLATER AND GORDON GROUP

FY17 | Results Presentation

31 August 2017

SLATER AND GORDON GROUP

Disclaimer

This document has been prepared by Slater and Gordon Limited (Slater and Gordon) and comprises written materials/slides for a presentation concerning Slater and Gordon.

This presentation is for information purposes only and does not constitute or form part of any offer or invitation to acquire, sell or otherwise dispose of, or issue, or any solicitation of any offer to sell or otherwise dispose of, purchase or subscribe for, any securities, nor does it constitute investment advice, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision.

Certain statements in this presentation are forward looking statements. You can identify these statements by the fact that they use words such as “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “believe”, “target”, “may”, “assume” and words of similar import.

These forward looking statements speak only as at the date of this presentation. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performances and achievements to differ materially from any expected future results, performance or achievements expressed or implied by such forward looking statements.

No representation, warranty or assurance (express or implied) is given or made by Slater and Gordon that the forward looking statements contained in this presentation are accurate, complete, reliable or adequate or that they will be achieved or prove to be correct. Except for any statutory liability which cannot be excluded, Slater and Gordon and its respective officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the forward looking statements and exclude all liability whatsoever (including negligence) for any direct or indirect loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission therefrom.

Subject to any continuing obligation under applicable law or any relevant listing rules of the ASX, Slater and Gordon disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in these materials to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any statement is based. Nothing in these materials shall under any circumstances create an implication that there has been no change in the affairs of Slater and Gordon since the date of this presentation.

SLATER AND GORDON GROUP

Agenda

1. FY17 Results Overview
2. Financial Results
3. Segment Performance
4. Priorities and Key Risks

SLATER AND GORDON GROUP

FY17 Results Overview

(A$m)	H1 FY17	H2 FY17	FY17	FY16
Total Revenue and other income	322.7	288.8	611.5	908.2
Net (Loss)/Profit After Tax	(425.1)	(121.7)	(546.8)	(1,017.6)
Net (Loss)/Profit After Tax – Normalised[1]	(36.6)	(38.6)	(75.2)	(48.7)
EBITDAW[2]	(11.2)	(64.9)	(76.1)	(49.3)
EBITDAW – Normalised[3]	7.8	7.9	15.7	36.6
Net Operating Cash Flow	(11.4)	(27.7)	(39.1)	(104.2)
Gross Operating Cash Flow – Normalised[4]	7.1	3.1	10.2	(57.6)

(1) Normalised for AASB3 adjustments, non-recurring restructuring costs, additional debtor/disbursement provisioning, Hall settlement contribution, intangibles impairment, non-recurring finance cost, tax normalisations and other miscellaneous items.

(2) EBITDAW is defined as earnings before interest, tax, depreciation, amortisation and movement in work in progress and is presented prior to non- cash impairment.

(3) Normalised for AASB3 adjustments, non-recurring restructuring costs, additional debtor/disbursement provisioning, Hall settlement contribution and other miscellaneous items.

(4) Gross Operating Cash Flow (“GOCF”) is defined as net cash (utilised)/provided by operating activities before interest received, borrowing costs paid, income tax and payments to former owners. GOCF has been normalised for non-recurring restructuring payments to suppliers, redundancy costs and sale of business costs.

“EBITDAW”, “EBITDAW – Normalised”, “GOCF – Normalised” and “Net (loss)/profit after tax – Normalised” balances presented in this report are unaudited non-IFRS measures that, in the opinion of the Directors, are useful in understanding and appraising the Company's performance.

SLATER AND GORDON GROUP

Financial Results: Fee and Services Revenue by Segment

(A$m)	H1 FY17	H2 FY17	FY17	FY16	% Var.
Slater and Gordon Lawyers ("SGL") Australia	114.2	112.5	226.7	265.6	(14.6)
SGL UK	75.6	82.2	157.8	230.0	(31.4)
Slater Gordon Solutions ("SGS")	140.7	128.1	268.8	437.2	(38.5)
Group	**330.5**	**322.8**	**653.3**	**932.8**	**(30.0)**

- Adverse Group variance is 20.4% on a constant currency basis.
- SGL Australia revenue decline driven by PIL.
- SGL UK fee and services revenue 17.0% decline in local currency terms.
- SGS decline of 25.5% in local currency terms.

SLATER AND GORDON GROUP

Financial Results: Normalisation Adjustments

(A$m)	FY17	FY16
EBITDAW – Reported	**(76.1)**	**(49.3)**
Normalisation adjustments:		
Payments to former owners (AASB3)	11.6	33.2
Non-recurring restructuring costs[1]	47.1	33.3
Additional debtor/disbursement provisioning	18.0	18.7
Other incl. Hall settlement, audit adjustments	15.1	0.7
EBITDAW – Normalised	**15.7**	**36.6**

(A$m)	FY17	FY16
Net (Loss)/Profit After Tax	**(546.8)**	**(1,017.6)**
Normalisation adjustments:		
Payments to former owners (AASB3)	11.6	33.2
Non-recurring restructuring costs[1]	47.1	33.3
Additional debtor/disbursement provisioning	18.0	18.7
Other incl. Hall settlement, audit adjustments	15.1	0.7
Intangibles impairment charge	361.3	879.5
Non-recurring finance costs	9.6	14.9
Tax implications of above	(15.7)	(11.4)
De-recognition of tax losses	(7.9)	
Write-back of deferred tax liability	32.6	
Net (Loss)/Profit After Tax – Normalised	**(75.2)**	**(48.7)**

(1) Includes consultants costs, redundancy costs and UK property rationalisation costs.

SLATER AND GORDON GROUP

Financial Results:
EBITDAW Normalised by Segment

EBITDAW Normalised (A$m)	H1 FY17	H2 FY17	FY17	FY16	% Var.
SGL Australia	5.7	9.8	15.5	35.9	(56.8)
SGL UK	(7.2)	(9.2)	(16.4)	(2.6)	530.8
SGS	9.3	7.3	16.6	3.3	403.0
Group	**7.8**	**7.9**	**15.7**	**36.6**	**(57.1)**

- SGL Australia revenue declines partly offset by reduction in operating expenditure.
- SGL UK EBITDAW decline due to reduced fees partly offset by reduced labour and marketing costs.
- SGS EBITDAW increase due to improved performance in the noise induced hearing loss practice.

SLATER AND GORDON GROUP

Financial Results: Cash Flow

(A$m)	H1 FY17	H2 FY17	FY17	FY16	% Var.
Receipts from customers	421.6	355.9	777.5	1,056.8	(26.4)
Payments to suppliers and employees	(426.4)	(377.2)	(803.6)	(1,135.1)	(29.2)
Gross operating cash flow	**(4.8)**	**(21.3)**	**(26.1)**	**(78.3)**	**(66.7)**
Payments to former owners	(12.7)	(5.0)	(17.7)	(14.2)	24.6
Net Interest	(3.1)	(3.3)	(6.4)	(34.9)	(81.7)
Income tax (paid)/received	9.2	1.9	11.1	23.2	(52.2)
Net operating cash flow	**(11.4)**	**(27.7)**	**(39.1)**	**(104.2)**	**(62.5)**

- Net operating cash flows adversely impacted by significant non-recurring consulting costs, material facility amendment fees and higher interest margins.
- After normalising for non recurring payments, GOCF was a $10.2m inflow (FY16: $57.6m outflow).

Segment Performance: SGL Australia

(A$m)	Fee and Services Revenue			Normalised EBITDAW			Margin%	
	FY17	FY16	%Var	FY17	FY16	%Var	FY17	FY16
PIL	171.8	204.5	(16.0)	17.2	35.2	(51.2)	10.0	17.2
GL	55.0	61.1	(10.0)	(1.7)	0.7	(342.9)	(3.1)	1.1
Total	226.7	265.6	(14.6)	15.5	35.9	(56.8)	6.8	13.5

- PIL underperformance due to a decline in case resolution rates.
- GL fees lower due to Conveyancing Works run-off, partly offset by class action results.
- Normalised EBITDAW lower due to revenue declines partly offset by reduced labour, marketing and accommodation costs.

SLATER AND GORDON GROUP

Segment Performance: SGL UK

(£m)	Fee and Services Revenue			Normalised EBITDAW			Margin%	
	FY17	FY16	%Var	FY17	FY16	%Var	FY17	FY16
SSP[1]	66.3	85.6	(22.5)	(2.8)	1.8	(255.6)	(4.2)	2.1
GL	27.6	27.6	0.0	(6.8)	(2.5)	172.0	(24.7)	(9.1)
Total	93.9	113.2	(17.0)	(9.6)	(0.7)	1271.4	(10.2)	(0.6)

- SGL UK fee and services revenue decline due in part to reduction in size of business following the business rationalisation programme.
- EBITDAW declines in both SSP & GL as reduced labour and marketing costs partly offset fee declines.
- SGL prompted brand awareness now 35% (FY16: 28%).

(1) Serious and Specialised PIL Practice (SSP)

Segment Performance: Slater Gordon Solutions

(£m)	Fee and Services Revenue			Normalised EBITDAW			Margin%	
	FY17	FY16	%Var	FY17	FY16	%Var	FY17	FY16
Claims incl NIHL	89.6	107.1	(16.3)	(0.1)	(10.9)	(99.1)	(0.1)	(10.2)
Health & Motor	70.1	107.3	(34.7)	11.2	13.6	(17.6)	16.0	12.7
Total	159.7	214.4	(25.5)	11.1	2.7	311.1	7.0	1.3

- Claims (incl. NIHL) fees lower due to planned reduction in case intake.
- Health and Motor Services fees declined due mainly to the loss of two (previously announced) key Motor contracts.
- Claims (incl. NIHL) EBITDAW increased due to improved performance in NIHL.
- EBITDAW declined in both the Health and Motor businesses due to the impact of key contract losses in Motor and lower referral volumes in Health, due to planned reduction in case intake from Claims.

SLATER AND GORDON GROUP

Priorities and Key Risks

Priorities

- Implementation of Senior Lender Scheme and the Shareholder Creditor Scheme.
- Restoring earnings and cash flow.

Key Risks

- Failure to successfully implement Senior Lender Scheme and the Shareholder Creditor Scheme.
- Implementation of legislative change which has a more immediate and more severe impact than otherwise anticipated.
- Client enquiry and conversion does not continue to stabilise and improve.
- Staff retention and engagement does not continue to stabilise and improve.

SLATER AND GORDON GROUP

For more information visit
https://www.slatergordon.com.au/investors