

ASX Announcement

30 August 2018

Slater & Gordon Limited FY18 Full-Year Financial Results and Business Update

Slater & Gordon Limited (“**Slater & Gordon**” or “**the Company**”) (**ASX: SGH**) today lodged its full-year results to 30 June 2018.

While the financial report shows a net profit after tax, this result was significantly affected by the Company’s one-off gain on the disposal of its UK business as part of its recapitalisation in December 2017.

The report also shows a net loss after tax on continuing operations, which reflects costs associated with the Company’s divestments in parts of its business as well as its mostly completed but ongoing transformation program. As a result of this program, Slater & Gordon now has a stronger capital structure, a simplified operating model and a clearly defined service offering; giving the stability required to now focus on growing its core services.

Continuing operations have been impacted by one-off costs primarily associated with the transformation program.

Business Highlights

The full-year results reflect the substantial work and initiatives undertaken by the Company during the financial year. Highlights included:

- Recapitalisation of the Company via the Senior Lenders’ Scheme of Arrangement, which provided for the separation of the Company and its Australian subsidiaries from its UK operations and subsidiaries and resulted in a more sustainable level of debt and additional liquidity for the restructured group;
- Significant investment in the Company’s ongoing, business-wide transformation program, which included a comprehensive review of the Company’s legal services and resulted in a more streamlined business model and contemporary service offering;
- Resolution of shareholder class actions under the Company’s Shareholder Claimant Scheme; and
- Transformation of the Company’s Board, which now comprises James MacKenzie (Chair), Merrick Howes, Elana Rubin, Hayden Stephens, Nils Stoesser and Jacqui Walters.

Statutory Results

The financial report shows the Company ended the full year to 30 June 2018 with:

- A total profit after tax of \$113.7m (2017: \$546.8m loss) being largely comprised of a net profit after tax of discontinued operations of \$145.6m (2017: \$472.4m loss), whereas the net loss after tax of continuing operations was \$31.9m (2017: \$74.5m loss). The significant net profit after tax on discontinued operations was primarily due to the gain on disposal of the Company’s UK operations which was part of the recapitalisation completed in December 2017;
- Total revenue and other income from continuing operations of \$159.3m (2017: \$181.5m), impacted by the reduction in the size of the business;

- Operating cash outflows generated from continuing operations of \$8.0m (2017: \$22.2m cash outflows); and
- A significantly improved net asset position of \$63.3m (2017: net liabilities of \$248.8m) following restatement of the senior secured debt facilities and separation from the UK business.

Chair, James MacKenzie, said while the results reflected the significant work undertaken by the Company as part of its business-wide transformation program, there was still a long way to go.

Mr MacKenzie said:

“The last twelve months have been a period of significant change for Slater & Gordon. We have implemented a strong program of initiatives we believe will set us up for long-term sustainability so we can continue to unlock access to justice for the thousands of Australians who need our help.

This transformation to date would not have been possible without the tireless efforts of the Slater & Gordon family. I would like to thank the staff, leadership team and Board for their commitment to our clients and the on-going success of the business.

In particular, I would like to thank our new CEO, John Somerville, who has hit the ground running since he commenced in February and has provided strong leadership and a clear vision for the team.

However, the transformation remains a work in progress.

As we focus on enhancing our core services, we will continue our proud history of innovation. This includes looking for ways to improve access to affordable, high quality legal services for everyday Australians.”

Changes to the Executive Leadership Team

In line with its focus on client outcomes and ensuring long-term business viability, the Company has made several strategic changes to its Executive Leadership Team.

The changes included the appointments of former KPMG Australia National Managing Partner (Advisory), John Somerville, as Chief Executive Officer in February 2018, and former Head of Personal Injury Law – Victoria, South Australia, Western Australia and Tasmania, Dina Tutungi, to the newly created Chief Client Officer role in June 2018.

In addition, Slater & Gordon advises Belinda Nucifora will step down as Chief Financial Officer, effective 31 August 2018 to pursue opportunities outside of Slater & Gordon, and return to Sydney. A recruitment process is well advanced and the Company expects to make an announcement regarding her replacement in the near future. Chief Executive Officer, John Somerville, said both the Board and management wished to thank Ms Nucifora for her substantial contribution to leading financial improvement initiatives within the Slater & Gordon business, in particular her work on the re-capitalisation of the Company via the Senior Lenders' Scheme of Arrangement in December 2017 which provided the Company with a more sustainable level of debt and additional liquidity.

“Ms Nucifora has led a number of working capital improvements including re-establishment of third party disbursement funding and business transformation initiatives including the delivery of a more streamlined business model focusing on our core services.

We wish Ms Nucifora all the very best in her future endeavours,” Mr Somerville said.

Share Price

The Company has, in previous announcements (including those dated 7 and 28 February 2018), drawn attention to an independent expert's report prepared by KPMG Financial Advisory Services (Australia) Pty Ltd in relation to the Senior Lender's Scheme of Arrangement, in which the expert assessed the implied equity value of the Company on a post re-capitalisation basis. At the time of that report, the expert assessed the implied equity value as in the range of \$0.30 to \$1.10 per share (price adjusted for the 100-for-1 share consolidation that occurred on 8 December 2017).

The Company notes current trading volumes are low and the free float represents a small portion of issued capital. It encourages shareholders and other market participants to make their own assessments of the Company's value and seek professional advice before making any investment decisions in relation to the Company's shares.

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