

29 August 2024

# ASX Announcement

## Shine Justice Ltd (SHJ) FY24 Results Presentation

Attached is Shine Justice Ltd's full year results presentation for the financial year ended 30 June 2024.

Authorised for release by the Board.



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Company Secretary | General Counsel  
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Shine Justice

### For more information

Simon Morrison, Managing Director - Shine Justice Limited 07 3837 9435

Ravin Raj, Chief Financial Officer - Shine Justice Limited 07 3837 8449



# FY24 Results Presentation

29 August 2024





**Shine Justice** acknowledges the Traditional Custodians of the Country throughout Australia and their connections to land, waterways and community.

We pay our respects to Aboriginal and Torres Strait Islander cultures and to Elders past, present and emerging.





# | Important Notice

**This presentation contains certain forward-looking statements with respect and objectives of the management of Shine Justice Ltd.**

Such forward-looking statements involve both known and unknown risks, uncertainties, assumptions and other important factors which are beyond the control of Shine Justice Ltd and could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Shine Justice Ltd and none of its officers, advisers or any other person makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statements or any outcomes expressed or implied by any forward-looking statements.

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The background features a large, dark brown curved shape on the left side. The right side is composed of several overlapping geometric shapes in various shades of orange, including a large light orange triangle and several darker orange triangles and trapezoids, all set against a black background.

# **Shine Justice Overview**



# Shine Justice Ltd

*Australia's Market Leading Personal Injury Law Firm*

ASX debut 2013



2024



2024	Personal Injury	Class Actions	Adjacent Legal
Fee Earners	403	80	50
Offices	51	Included <sup>1</sup>	Included <sup>1</sup>
Market Position	#1 <sup>2</sup>	#2 <sup>3</sup>	N/A
FY24 Annual Revenue	\$149m	\$21m	\$29m

1. Class action offices are in Brisbane, Sydney and Melbourne. NPA has eastern seaboard operations but mainly Queensland-based.

2. IBIS Report 2023

3. Based on internal assessment of Class Actions revenues by firm



PURPOSE DRIVEN, RESILIENT AND  
DETERMINED TO SEEK JUSTICE FOR  
OUR CLIENTS

## Class Actions & NPA<sup>1</sup>

### Shine Lawyers

- Class actions

### Adjacent Legal Services

- Superannuation and disability
- Dust disease
- Medical negligence

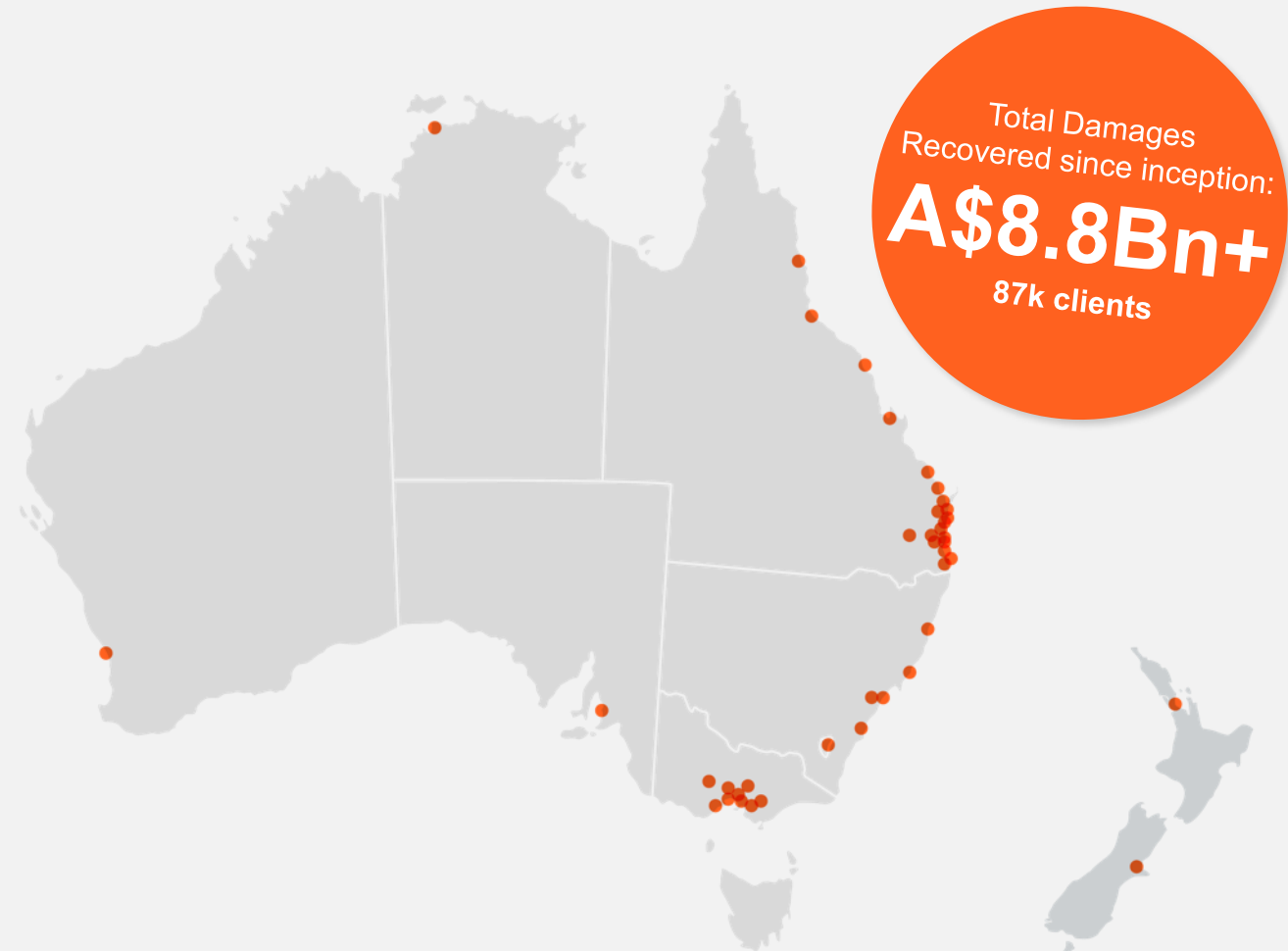
### Family Law

- Carr & Co (WA)

## Personal Injury

### Motor vehicle, workplace, public liability, abuse

- Shine Lawyers (Eastern seaboard)
- Sciacas (QLD)
- Stephen Browne (WA)
- Bradley Bayly (WA)



<sup>1</sup> New Practice Areas





# Market Profile

## ASX INFORMATION

ASX Stock Symbol	SHJ
Shares on Issue (at 30/06/2024)	173,261,812
Share Price (at 30/06/2024)	A\$0.71
Market Capitalisation	A\$123m

## BOARD OF DIRECTORS



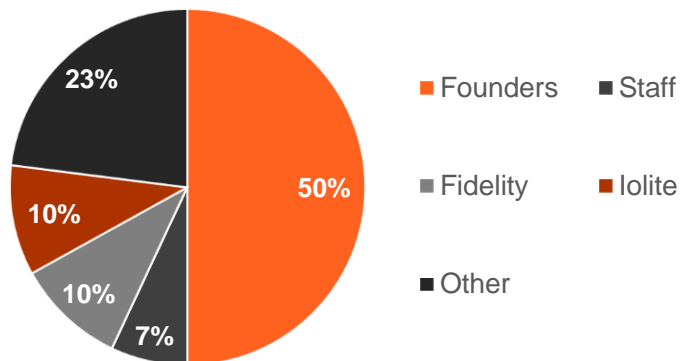
**Graham Bradley AM** Independent Chairman

Teresa Dyson Non-Executive Director

David Bayes Non-Executive Director

Rod Douglas Non-Executive Director

## TOP SHAREHOLDERS



## MANAGEMENT TEAM



**Simon Morrison** Managing Director & CEO

Ravin Raj Chief Financial Officer<sup>1</sup>

Lisa Flynn Chief Legal Officer

Jodie Willey Chief Operating Officer

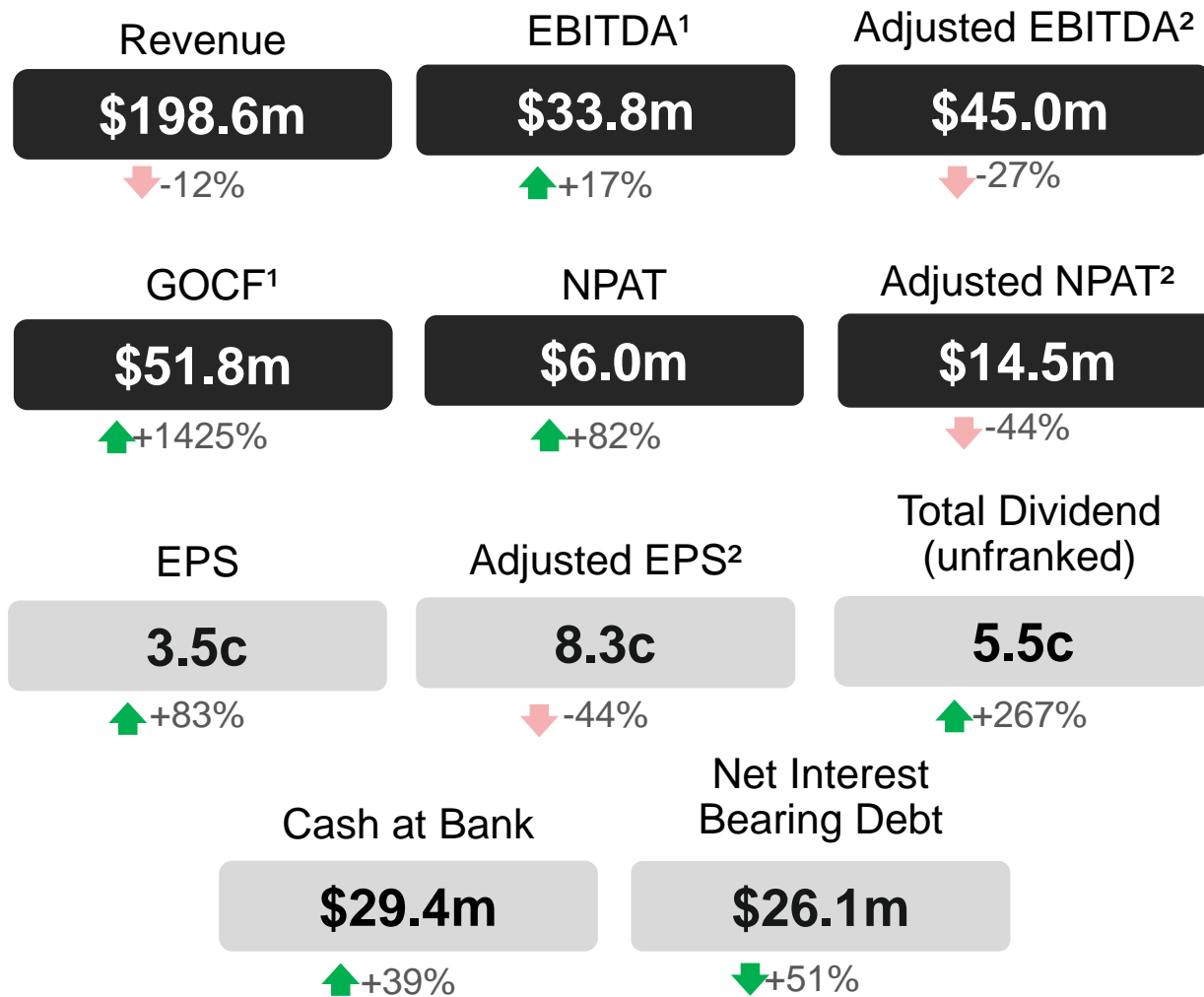
<sup>1</sup>Mr. Raj retiring on 27 September 2024. Mr. Marc Devine commencing 23 September

The background features a dark navy blue field with several large, overlapping geometric shapes in various shades of orange. These shapes include triangles and curved segments, creating a dynamic, modern aesthetic. The text is positioned on the left side, partially overlapping the dark background.

# **FY24 Financial Results**



# FY24 Key Highlights



<sup>1</sup>EBITDA and GOCF are not IFRS calculations which appear in the Financial Report and accordingly have not been audited.

<sup>2</sup>Adjusted EBITDA, NPAT and EPS in FY24 exclude non-recurring items (the reversal of revenue in the Ethicon Mesh Class Action and the Boston Scientific Class Action as a result of the recovery of our fees in part only, fair value losses on deferred consideration and restructuring costs).

<sup>3</sup>Pending final court approval.

## Key Achievements

### Strategic

- FY24 was a reset year.
- Divested non-core businesses.
- Simplified focus of business to two main segments in Class Actions and Personal Injury.

### Profitability and Cash

- One of the best cash results in history.
- Cost reduction program delivered.
- Strong emphasis on resolving older PI cases.
- Improvement and efficiency in PI process to speed cash conversion.

### Operational

- Resolved more than 5,000 cases securing damages of over \$810 million.
- Achieved compensation for damages for workers suffering silicosis and black lung.
- Achieved Class Action settlements totalling \$171 million against Commonwealth Government for use of fire-fighting foam and Evans Dixon.
- Settled a Class Action against the WA Government for stolen wages on behalf of Aboriginal workers for up to \$180.4m<sup>3</sup>.
- Filed Class Actions against KFC, Rest, Aussie Home Loans, and Toyota and Edgcombe Floods (NZ affiliate).
- Ethicon interest application being prepared to submit to Federal Court.



# | Profit and Loss Statement

	FY24(\$m)	FY23(\$m)	Variance(\$m)
Revenue	198.6	226.2	(27.6)
Adjusted EBITDA <sup>1</sup>	45.0	61.4	(16.4)
EBITDA <sup>2</sup>	33.8	29.0	4.8
Adjusted NPAT <sup>1</sup>	14.5	26.0	(11.5)
NPAT	6.0	3.3	2.7
Employee Benefits Expense	(117.9)	(118.4)	0.5
Overheads (excl. FY23 fair value adjustment)	(71.0)	(69.4)	(1.6)

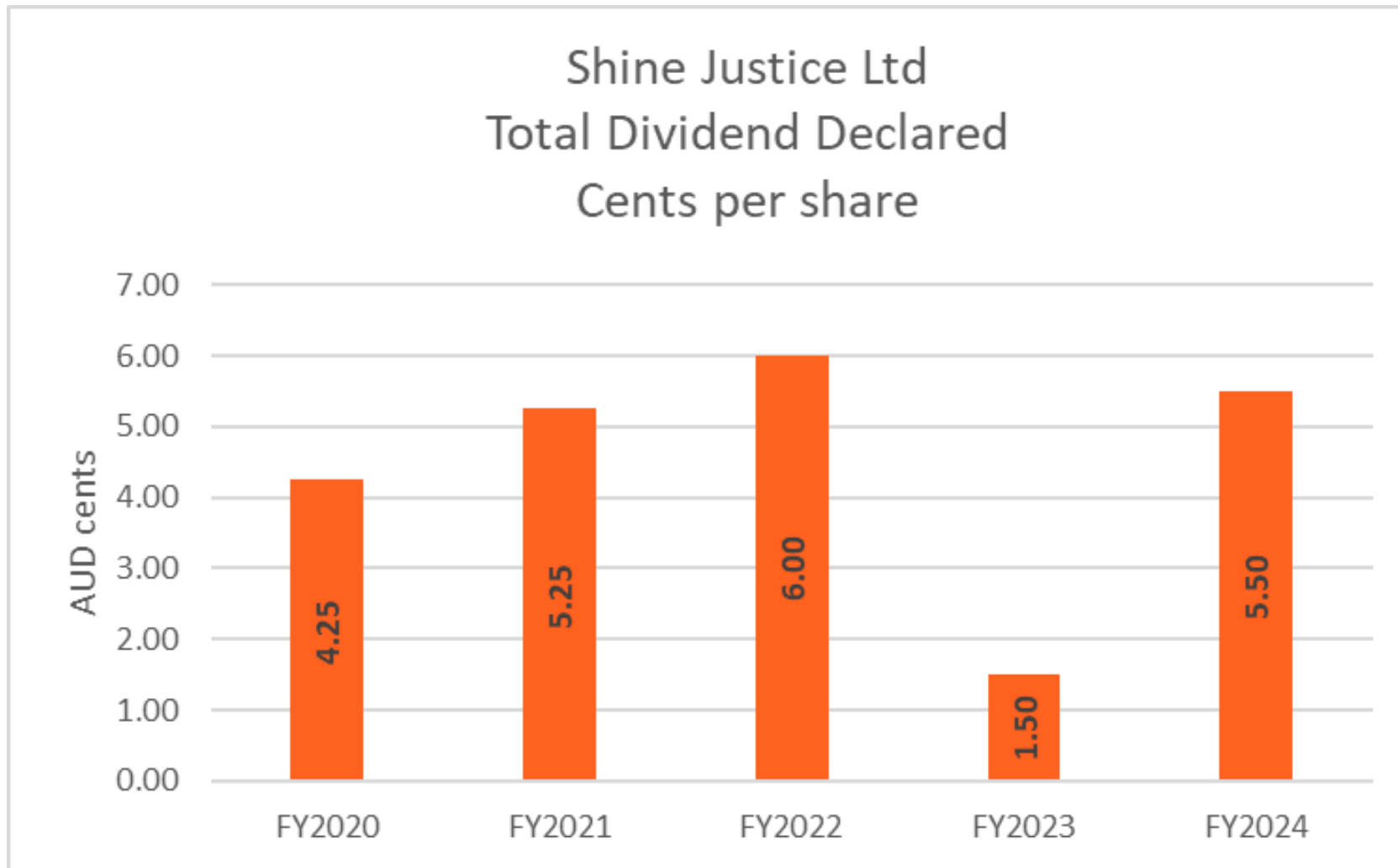
<sup>1</sup>Adjusted EBITDA and adjusted NPAT in FY24 exclude non-recurring items (the reversal of revenue in the Ethicon Mesh Class Action and the Boston Scientific Class Action as a result of the recovery of our fees in part only, fair value losses on deferred consideration and restructuring costs).

<sup>2</sup>EBITDA is not an IFRS calculation.

- Revenue was impacted by:
  - One off reversal of Ethicon and Boston WIP.
  - Lesser fee earners in FY24.
- Tax rate of 37% - impacted by non-deductible Deferred Receivable write-off.



# Dividend History & Outlook



- H2 Final Dividend of 4 cents.
- Full-year dividend being 66% of adjusted EPS.
- FY24 Dividend reflects confidence in future earnings and cashflow.
- Board's intention is to pay consistently growing dividends through increasing profit growth and cash flow.





# Statement of Cash Flows

	30 Jun 24 \$000	30 Jun 23 \$000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	247,510	202,647
Payments to suppliers and employees (inclusive of GST)	(176,278)	(195,721)
Disbursements recovered	68,544	72,774
Disbursements paid	(83,842)	(67,548)
Interest received	838	623
Finance costs	(8,358)	(5,883)
Income taxes received / (paid)	1,030	(2,072)
<b>Net cash inflow from operating activities</b>	<b>49,444</b>	<b>4,820</b>
<b>Net cash outflow from investing activities</b>	<b>(3,915)</b>	<b>(15,108)</b>
<b>Net cash outflow from financing activities</b>	<b>(37,188)</b>	<b>(20,497)</b>
Net increase/(decrease) in cash and cash equivalents	8,341	(30,785)
Cash and cash equivalents at the beginning of the year	21,088	51,864
Effect of exchange rate changes on cash and cash equivalents	(2)	9
<b>Cash and cash equivalents at the end of the year</b>	<b>29,427</b>	<b>21,088</b>

- Improvement in FY24 cashflows arising from:
  - Increased settlement activity.
  - Reduction in expenses.
- Financing activities reflect use of cash to pay down interest bearing debt.



# Financial Results – Balance Sheet

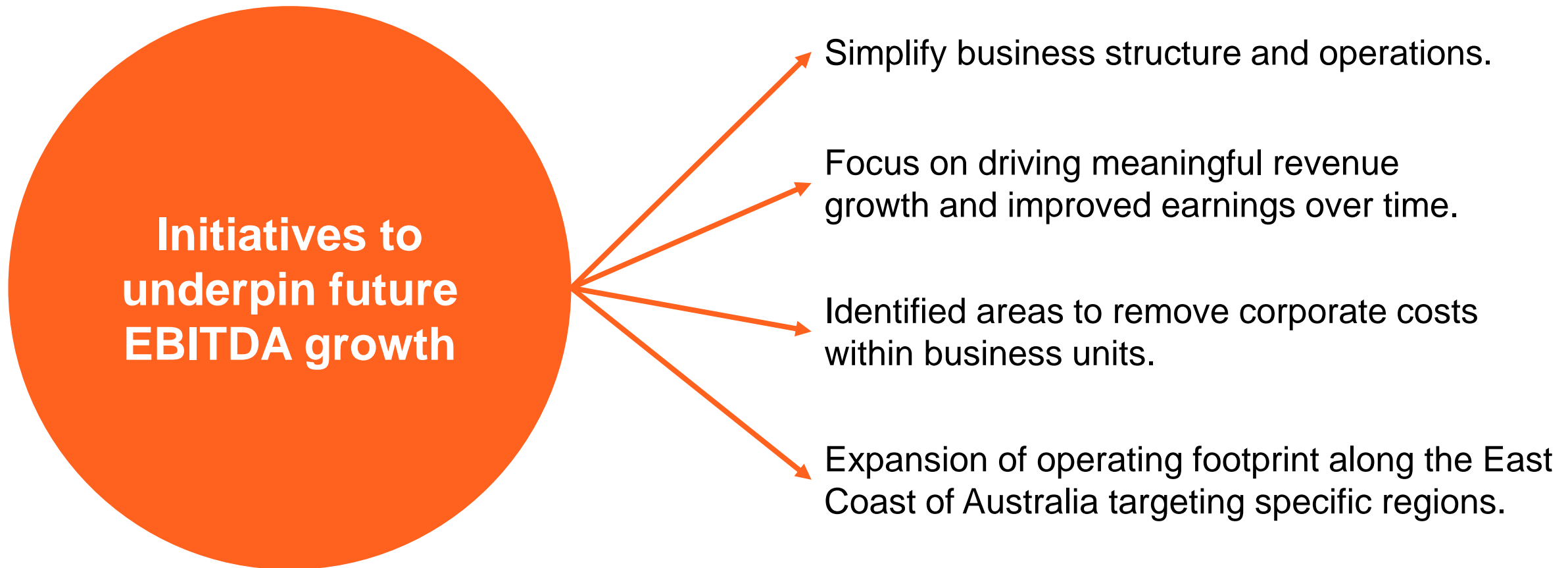
	30 June 24 \$000	30 Jun 23 \$000
Cash	29,427	21,088
Receivables	10,501	13,332
Work in progress	356,372	380,933
Unbilled disbursements	95,412	89,052
PP&E and other	21,087	23,722
Intangibles	43,325	47,068
Right of Use Assets	23,376	31,262
Financial assets of fair value	13,076	11,346
<b>Total assets</b>	<b>592,576</b>	<b>617, 803</b>
Trade payables	13,245	12,886
Disbursement creditors	89,949	94,781
Borrowings	55,530	72,569
Lease liabilities	30,459	39,311
Deferred and current tax liabilities	117,422	116,083
Provisions and other	2,197	2,863
Employee liabilities	11,146	11,960
<b>Total liabilities</b>	<b>319,948</b>	<b>350,453</b>
<b>Net assets</b>	<b>272,628</b>	<b>267,350</b>

- Net debt improvement driven by improved cash flow in H1.
- Reduction of work in progress aligned with strategy to increase rate of case resolutions.
- Group WIP disclosed as net of provision of \$90.4m (FY23 \$82.7m).
- Litigation and disbursements funding strategy to improve cash management.
- Continuous improvement in processes improves quality of WIP.

The background features a dark navy blue field with several large, overlapping geometric shapes in various shades of orange. These shapes include triangles and curved segments that create a dynamic, modern aesthetic. The text is positioned on the left side, partially overlapping a dark curved shape.

# Reset Initiatives

# FY23 Flagged Initiatives to Reset Cost Base for Growth and Efficiency





# | FY24 Achievements: Delivered FY23 Initiatives



## **Cost Reduction**

Cost reduction program in FY24 will deliver inbuilt future cash savings of \$14.7m and expense savings of \$12m. Without FY24 cost reductions the FY25 expense budget would be significantly higher.



## **Non-Core Businesses**

Business restructure including discontinuation or winddown of businesses and practice areas including Commercial disputes, Travel, Estate Litigation, Family Law. Continues into FY25.



## **Simplified Business**

Substantially completed to simplify business into two clear segments i.e. Personal Injury, Class Actions & NPA.



## **Expansion of Operating Footprint**

Personal Injury - number of opportunities exist in the pipeline, but immediate focus in FY25 is organic growth.





# **| Debt Profile**



# | Interest Bearing Debt Profile

**\$26.1m**  
NET DEBT

**\$55.5m**  
GROSS DEBT

**Below 21%**  
DEBT/EQUITY RATIO  
*Well below industry average*

**Net debt reduction**  
BETWEEN FY23 AND FY24 HAS  
BEEN THROUGH IMPROVED  
CASH CONVERSION IN FY24

**47 years with CBA**  
STRONG LONG-TERM  
RELATIONSHIP WITH CBA

**7%**  
AVERAGE  
COST OF  
DEBT

**Capex investment**  
MAIN INCREASE IN DEBT IN RECENT YEARS  
HAS BEEN CAPEX INVESTMENT, WHICH IS  
BEING REDUCED THROUGH REPAYMENT  
BY 2025

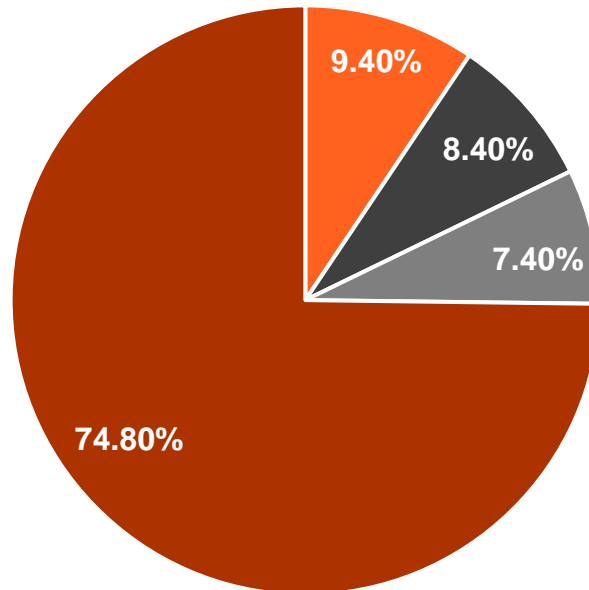
	2021 (\$m)	2022 (\$m)	2023 (\$m)	2024 (\$m)
Gross debt	50.4	50.2	72.6	55.5
Cash	56.0	52.9	21.2	29.4
<b>Net debt</b>	<b>(5.6)</b>	<b>(2.7)</b>	<b>51.4</b>	<b>26.1</b>

The background features a dark navy blue field with several large, overlapping geometric shapes in various shades of orange. These shapes include triangles and quadrilaterals, some of which are semi-transparent, creating a layered effect. The shapes are primarily located on the right side and top of the frame, while the left side is mostly dark navy blue.

# **Personal Injury Segment**

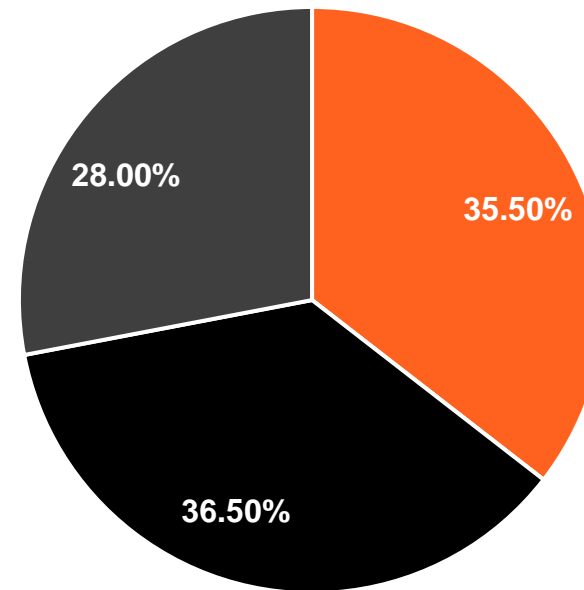
# Personal Injury Market Overview<sup>1</sup>

Market Share



- Shine Justice
- Allegro Funds (Slater & Gordon)
- Maurice Blackburn
- Other

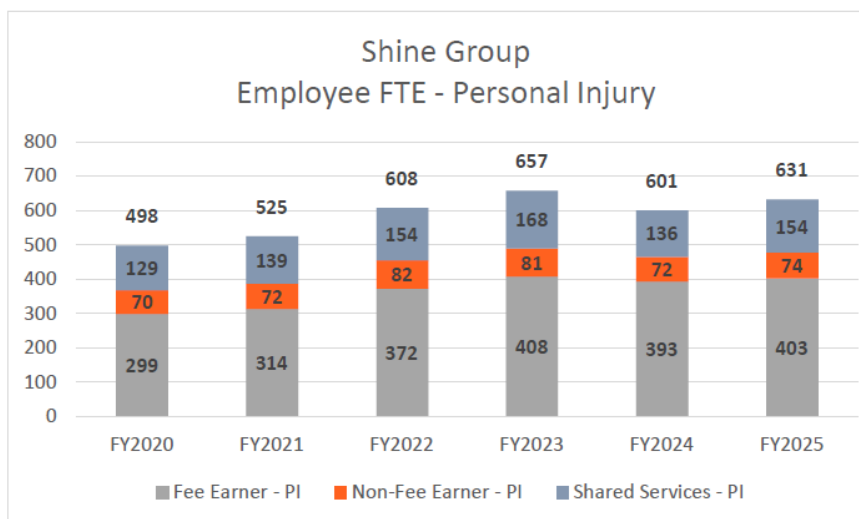
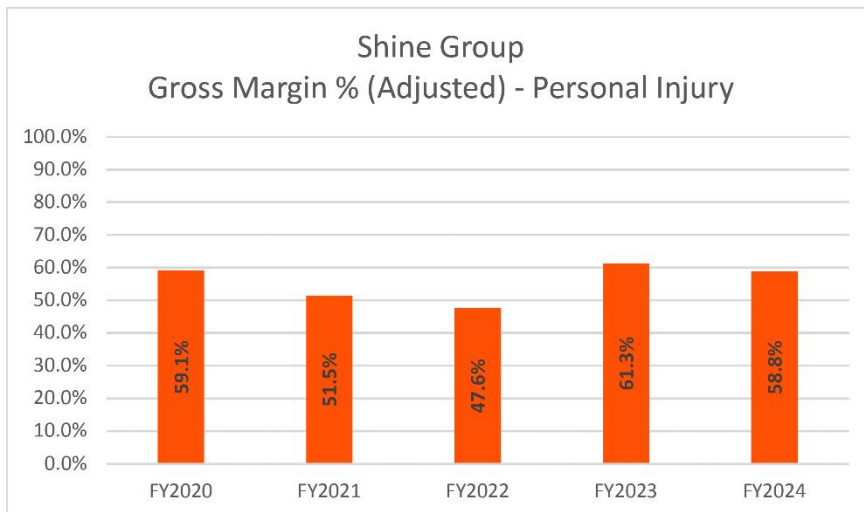
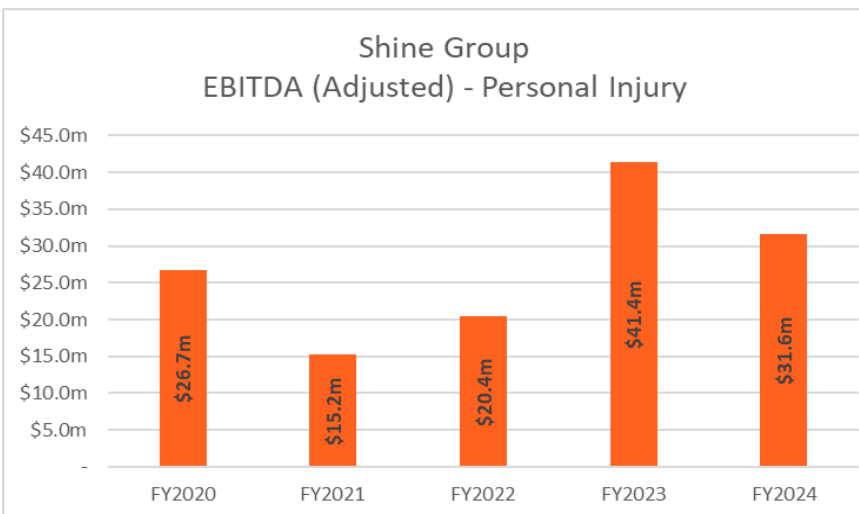
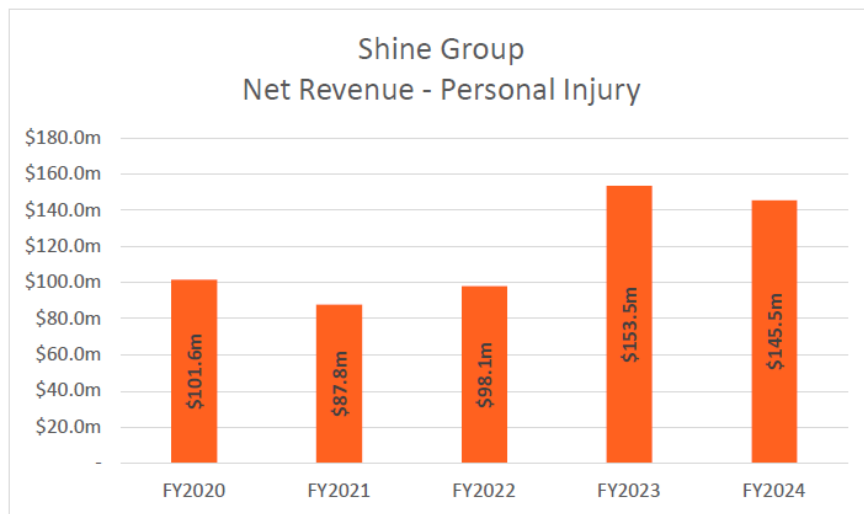
Industry Products & Services Segmentation



- Motor Vehicle Accidents
- Workplace Injuries
- Other Personal Injury Claims



# Personal Injury Financial Performance



- Annual net revenue now averaging \$150m+.
- Personal Injury contributes 70% of Group Revenue.
- Strong emphasis in FY24 on cash conversion and resolving aging cases.
- Push to resolving older cases increased WIP write-offs and impacted EBITDA.
- Short term outlook is for improvement in revenue and gross margin.
- Data reflects changes in composition of practices in previous years.



# | Personal Injury – FY25 Growth Strategy



Marketing effort and expenditure restructured to assist with stronger file growth compared to FY24. Detailed branch-by-branch evaluation to determine the marketing efforts and costs needed to attract new files.



Significant reorganisation of the call centre team to support improved file intake and improve quality of service.



Strategy to drive staff retention in FY25:

- Profit share incentive scheme implemented to more tightly align to cash and EBITDA performance.
- Equity scheme for 154 employees.



Capacity template model adopted to determine the optimal number of legal staff based on jurisdiction, legal practice area, matter type and new file inflow.

Capacity review will result in better utilisation and opportunity for organic growth.



# | Personal Injury – Medium Term Growth Strategy



## **Organic:**

- Organic growth can be achieved by continuing to improve processes which will increase:
  - file intake.
  - revenue and market share.



## **Acquisition of files:**

- Boost to short-term cash flow as file acquisitions have high file velocity.
- Seek to acquire files that are at low completion and maturity.
- Payback / file velocity usually 2 years .
- Cash recycling follows case completion.



## **Business acquisition:**

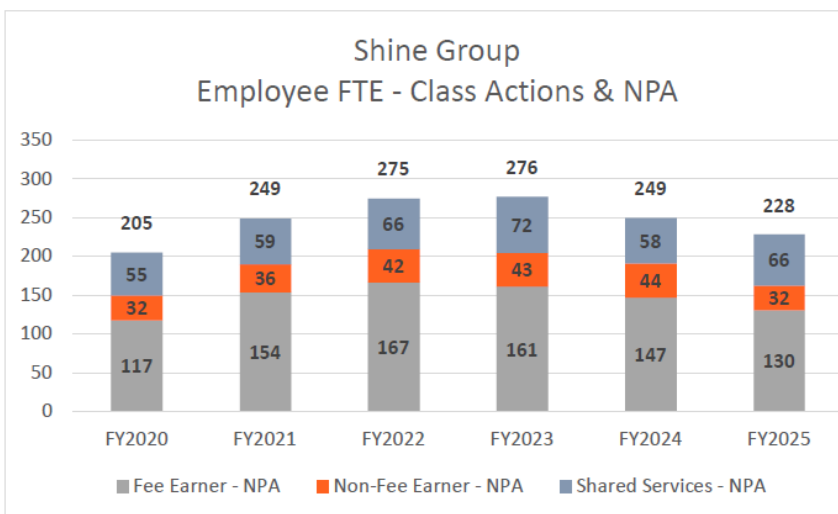
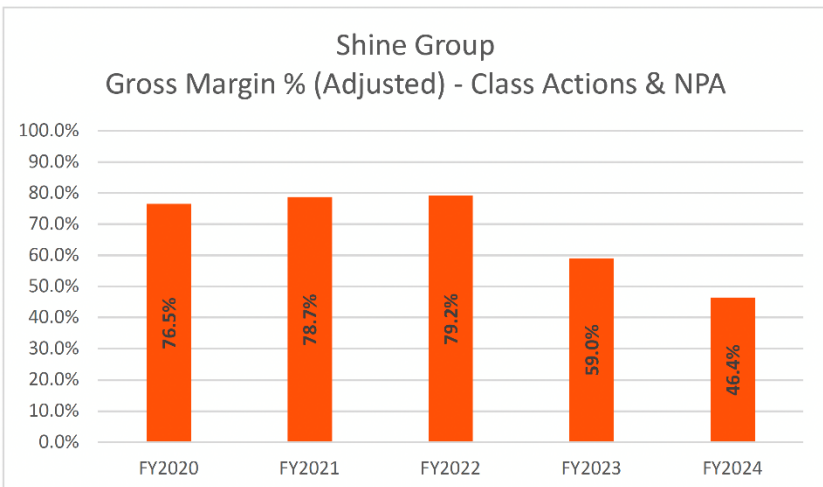
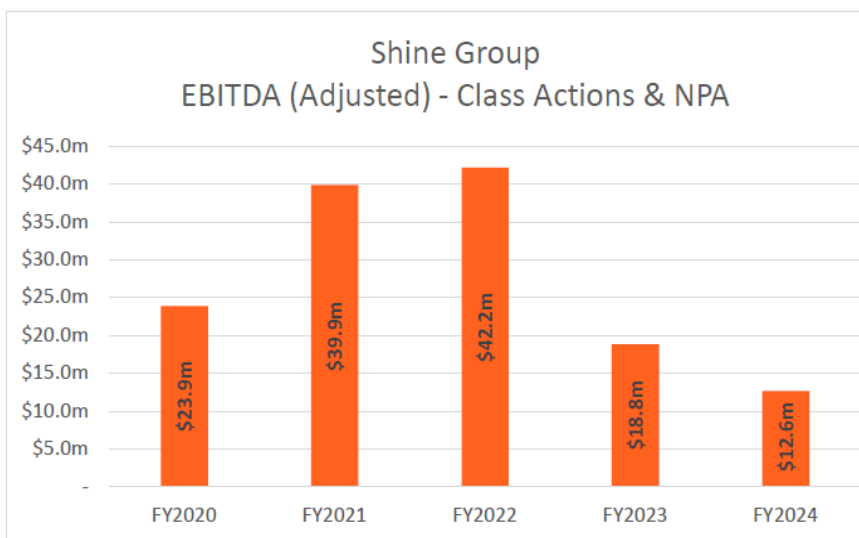
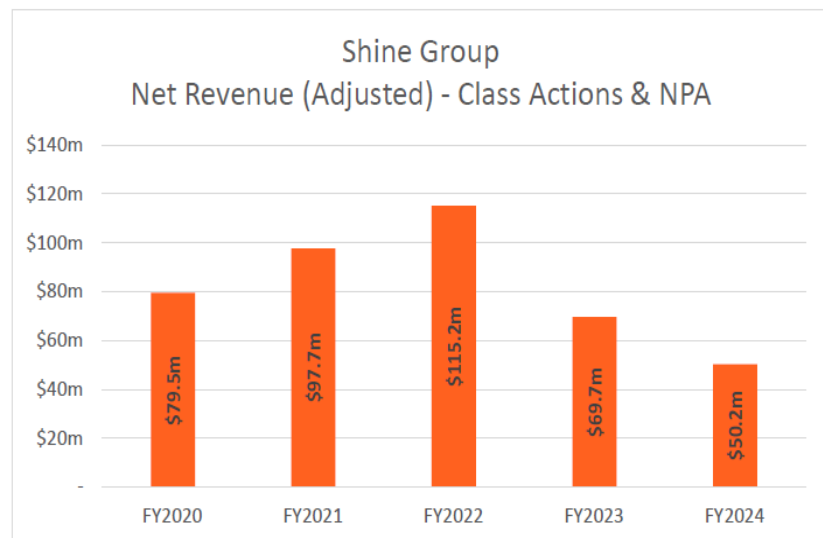
- 74.8% of PI market controlled by second and third tier firms.
- Industry ripe for aggregation.
- Motive is to increase market share (Eastern seaboard).
- Acquisition metric - 3-year payback.

The background features a large, abstract geometric design. It consists of several overlapping triangular and quadrilateral shapes in various shades of orange (from light peach to deep burnt orange) and black. The shapes are arranged in a way that creates a sense of depth and movement, with some areas appearing to be in the foreground and others receding into the background. The overall composition is modern and minimalist.

# **Class Actions & NPA Segment**



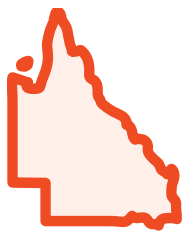
# Class Actions & NPA Financial Performance



- Short term strategy is to convert this segment to purely undertake Class Actions.
- Annual contribution to Group Revenue:
  - Class Actions - 17%
  - NPA - 13%
- Strategy is to significantly increase Class Action revenue.
- Short term outlook is for improvement in revenue and gross margin.
- Data reflects changes in composition of practices in previous years.

Refer to previous slides for the definition of 'adjusted'

# | Class Actions Overview



Shine Justice's Class Action business began in QLD and is now located in NSW, VIC and NZ (affiliate).

#2

It is the **2<sup>nd</sup> largest** Class Actions practice operating in Australia.



Class Actions worktype continues to be one of the **fastest growth opportunities for Shine.**



**Relationships established with US law firms** which will **accelerate growth** in Class Actions and international mass torts.



# Class Actions Portfolio

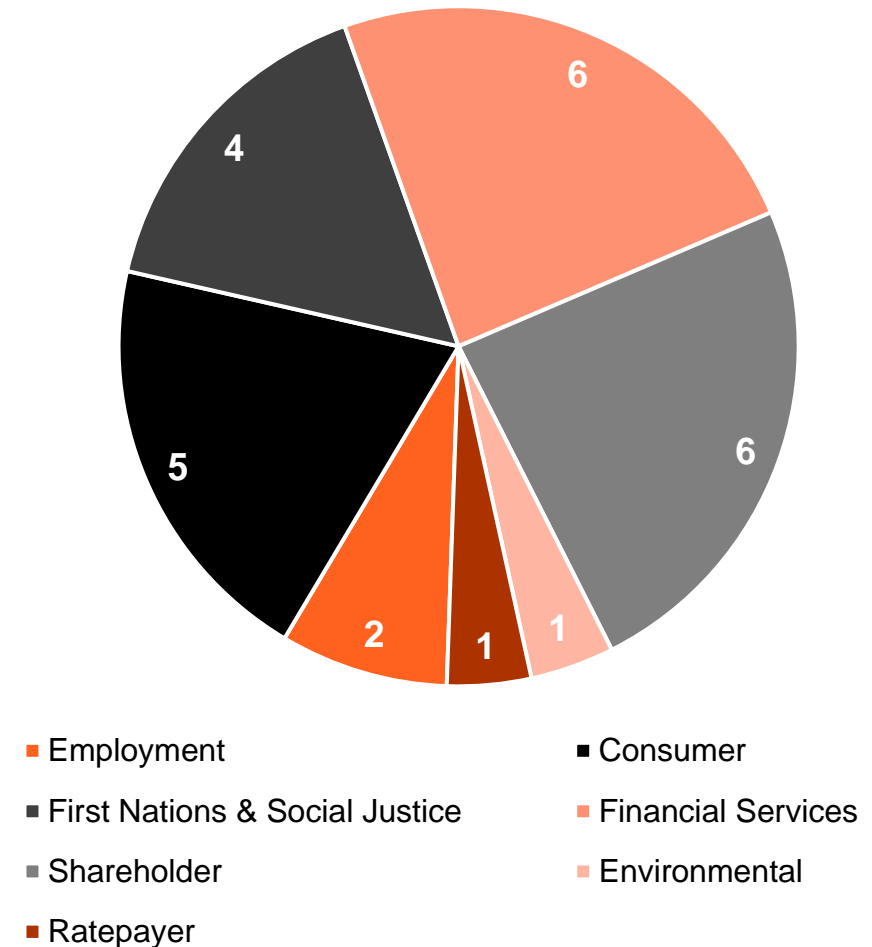
Broad book of cases reflects strong pipeline of future revenue and diversified portfolio.

No single concentrated risk.

Pipeline growing and is continually replenished.

Strong medium term growth prospects in conjunction with US strategy.

Current Class Actions





# | Class Actions - Litigation Funding

Litigation funding allows Shine to undertake more Class Action cases than it would be able to take on its own balance sheet.

Total number of actions being undertaken – 74% Litigation funded; 17% Shine funded and 9% Group Costs Order.

Litigation funding improves case cashflow and de-risks balance sheet.

Litigation funders typically pay 70%-100% of work performed and 100% of disbursements.

Work performed is billed monthly and paid by litigation funders.

Provisioning applies to all non-funded Class Actions WIP.

Shine is normally required by funders to risk carry up to 30% of WIP. This is usually paid at the end of the case and eligible for a 25% uplift on this component on success.

# | Class Actions Strategy



## Australian Strategy

The business has sufficient capital and access to Litigation funders to undertake actions:

- Class Actions continue to be one of the fastest growth opportunities for Shine.
- Expanded geographic footprint with the establishment of a Victorian office - an important strategic initiative.
- Grow Class Actions practice in Australia and NZ (affiliate).



## USA Strategy

A strategic intention for Shine in FY25 and beyond is to accelerate growth in class actions and international mass torts.

A number of United States originated cases have been identified as having prospects for Shine to undertake in Australia.

Strategic relationships with United States law firms who have proven experience and track records in these cases.



# **| FY25 Outlook**



# | FY25 Outlook

## Shine is a strong defensive business:



Clearer focus on two operating segments – PI & Class Actions.



Continued focus on expense management.



Organic growth opportunities in both operating segments.



Cash generation continuing priority.



US litigation funding to increase availability of funding sources for Class Actions growth.



Short term GOCF target – 70%+ conversion.

**In FY25 we have budgeted for growth in both Personal Injury and Class Actions.**



**Thank you**