SLATER AND GORDON GROUP

FY15 | Results Presentation

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FY15 Key Points

Guidance Delivered - Strong Operational Performance

- Group Revenue[1] up 27.0% to A$521.9m
- EBITDA margin[1] – 24.5%
- Cash flow from operations[1] 73.6% of NPAT
- Final dividend 5.5 cents per share, 40% franked, up 10%
- Australian Personal Injury Litigation (PIL) strong ex Queensland
- Australian General Law (GL) building scale
- UK business on track with strong file openings and business improvement initiatives
- PSD acquisition provides a platform for future growth in the UK

1. *Excludes one months contribution of PSD, normalised for acquisition costs of A$(25.0)m , discount on acquisition of A$21.8m , early termination of property lease of A$(1.6)m and changes to acquisition accounting . ("FY15 Normalisations")*

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Accounting

Enhancing our reporting

- ASIC update – process progressing, expected to be concluded shortly
- Enhanced disclosures in financial statements regarding revenue recognition policy
- Early adoption of AASB15[1] in FY16
- New accounting policy for acquisition consideration – no performance implications[2]
- Re-classification of WIP and Disbursements into current and non-current – no impact on value or bank covenants

1. AASB15 – Revenue from Contracts with Customers

2 Refer detailed discussion in Appendix 1 of this presentation

Slater Gordon Solutions

On track

- July performance in line with expectations
- Clear operational objectives set for FY16 aligned to key deliverables
- Tracking to FY16 EBITDA target, weighted to H2 and connected with increasing matter resolution rates in Slater Gordon Solutions Legal Services
- PSD operations to be re-branded

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Solutions

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Financial Highlights

- Strong group-wide growth in fee revenue
- Stronger earnings contribution
- Positive cash-flow performance

Financial Highlights

Continuing strong underlying growth

Normalised Financial Results (Excluding SGS)

	FY15 A$M	FY14 A$M	% CHANGE
REVENUE[1]	521.9	411.1	↑ 27.0%
EBITDA [2]	121.6	100.8	↑ 20.7%
EBITDA MARGIN [2]	24.5%	25.1%	
EBITDAW [2,3]	67.0	55.4	↑ 20.9%
EBITDAW MARGIN [2, 3]	13.5%	13.8%	
NPAT	70.7	63.0	↑ 12.1%
GROSS OPERATING CASH FLOW % EBITDAW	105.3%	121.7%	
NET OPERATING CASH FLOW % NPAT	73.6%	86.3%	
	CENTS	CENTS	% CHANGE
Normalised EPS excluding SGS [2,4]	34.0	30.3	↑ 12.4%

1. *Excludes one off WIP adjustment arising from discount on acquisitions*
2. *FY15 normalised for acquisition costs of A$25.0m, early termination of property lease of A$1.6m , Discount on acquisition of A$21.8m and AASB3 policy change. Net FY14 normalisation adjustments was A$2.8m.*
3. *EBITDAW = Earnings before Interest, Tax, Depreciation, Amortisation and Movement in WIP*
4. *Excludes one months contribution of PSD, normalised for FY15 adjustments and excludes impact of capital raisng associated with PSD transaction*

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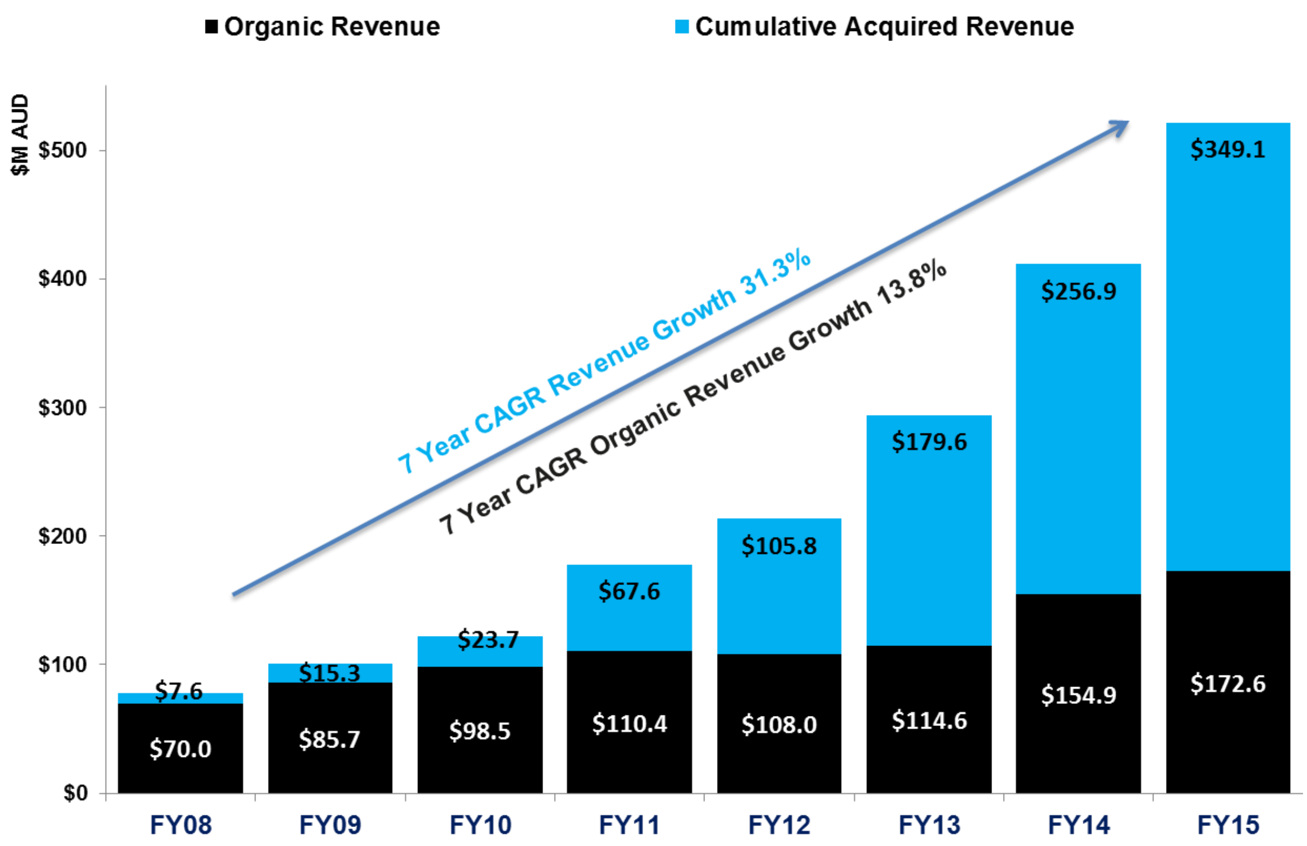
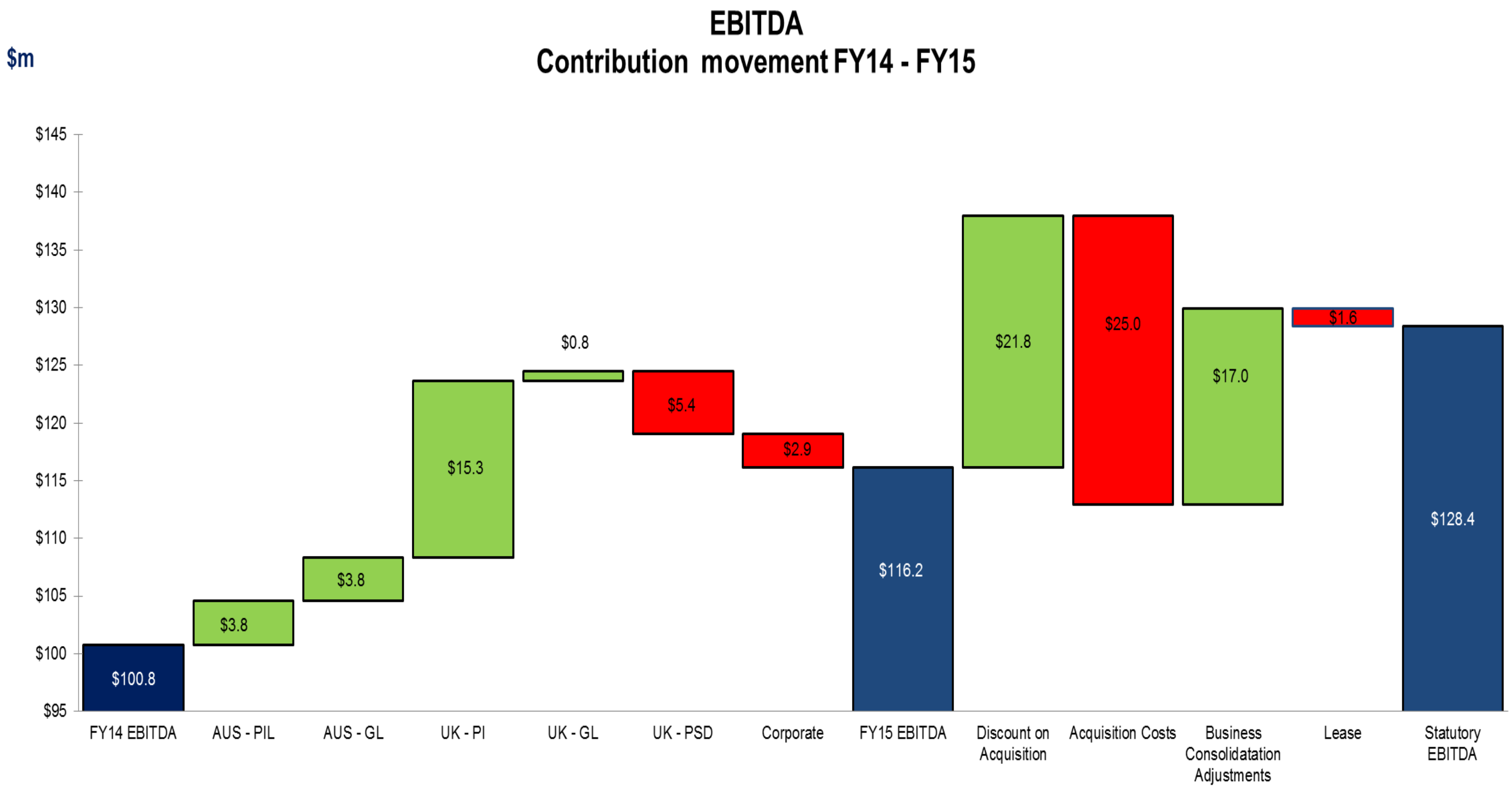
Financial Highlights

Acquisitions complement organic growth



Normalised to exclude AASB3 adjustment

Financial Highlights:
Improving Divisional EBITDA



1. *FY15 norrmalised for acquisition costs of A$25m. Discount on acquisition of A$21.6m, early termination of property lease of A$1.6m, business consolidation adjustment of A$17m and FY14 normalisation adjustments of A$2.8m.*
2. *Discount on Acquisition relates to gains obtained as a result of transactions where the acquired net assets exceed the consideration for the transaction*

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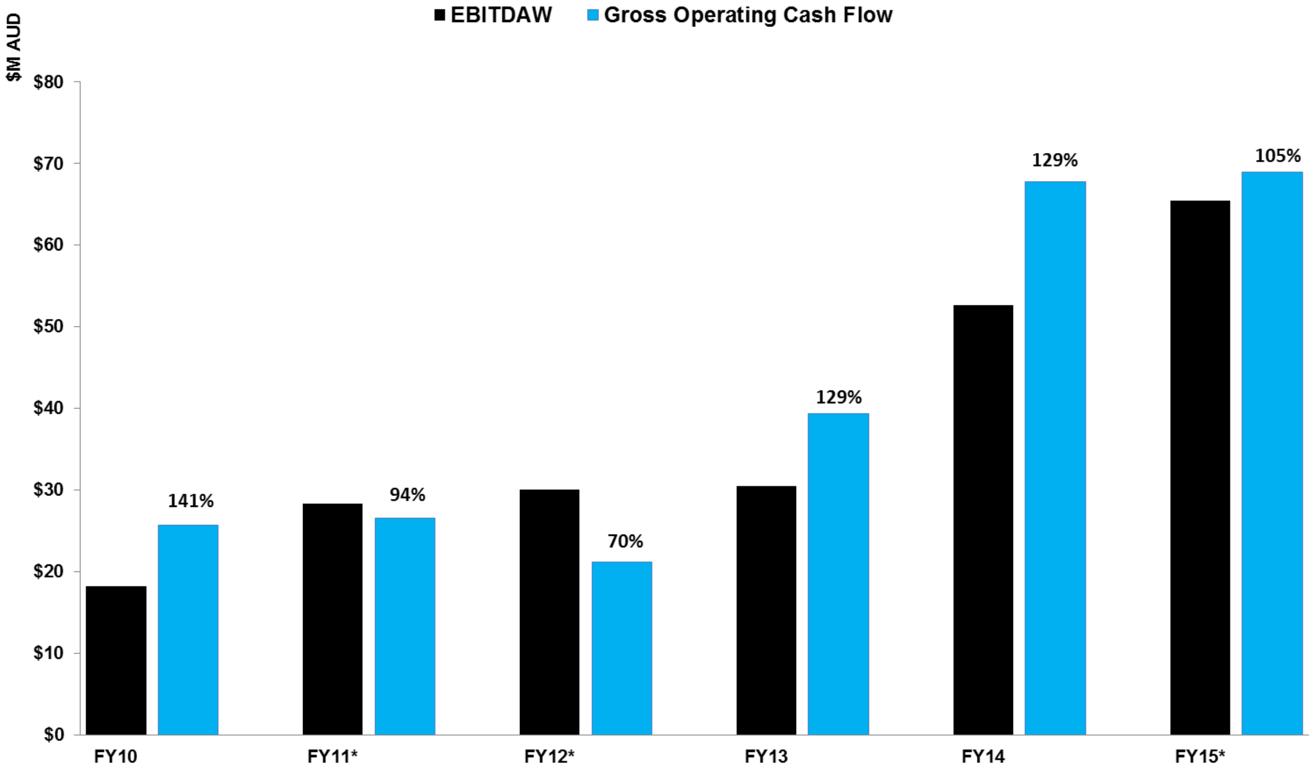
Financial Highlights: Positive Cash-flow performance



Average Gross Operating Cash Flow to EBITDAW of 111% over 6 year period

1. *EBITDAW = Earnings before Interest, Tax, Depreciation, Amortisation and Movement in WIP*

2. *Gross Operating Cash Flow = Net Operating Cash Flow as per Statutory Accounts plus Finance Costs plus Tax paid.*

***EBITDAW has been normalised as per prior reporting**

FY11: Acquisition costs associated with the transaction of Keddies and Trilby Misso

FY12: Vioxx writedown

FY15 Costs associated with the acquisition of PSD within Operating Cash Flow

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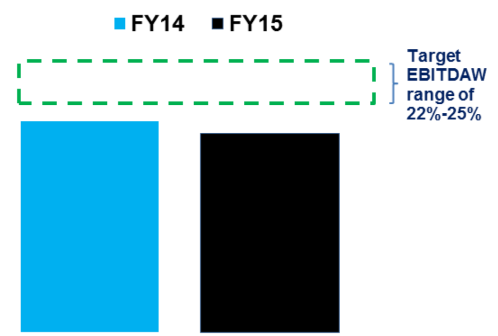
Operational Performance

Australian PIL Resilient and growing

	FY15 A$M	FY14 A$M	A$M CHANGE	% CHANGE
REVENUE	211.1	188.4	22.7	12.1%
EBITDAW (NORMALISED)[1]	37.1	33.0	4.1	12.4%
EBITDAW MARGIN (NORMALISED)[1]	19.5%	20.5%		

Commentary

- Strong underlying performance in Victoria & NSW
- Queensland remains an area of focus, brand awareness is increasing
- Recent acquisitions on track, integration well underway



1. FY15 normalised for discount on acquisition associated with Nowicki Carbone and Bannister Law acquisitions of A$3.6M and early termination of Redfern lease (A$1.6m)

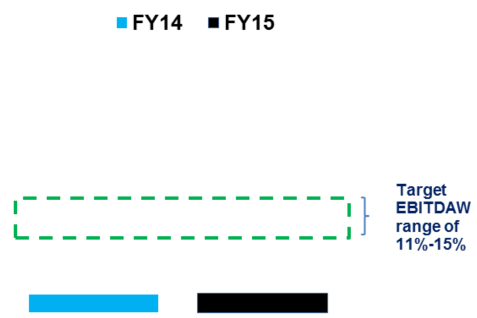
Operational Performance

Australian GL Strong progress through investment phase

	FY15 A$M	FY14 A$M	A$M CHANGE	% CHANGE
REVENUE	56.7	43.3	13.4	30.9%
EBITDAW	1.6	1.3	0.3	23.1%
EBITDAW MARGIN	2.9%	3.0%		

Commentary

- Good overall progress – 30% revenue growth with improved earnings contribution
- Family Law growing strongly - benefiting from Schultz Toomey O'Brien (STO) acquisition
- Business & Specialised Litigation Services (BSLS) – strong level of new instructions
- Conveyancing - strong volumes ex. Queensland



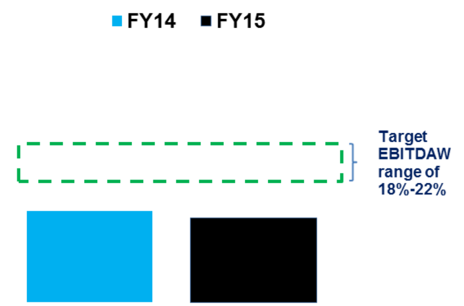
Operational Performance

UK PIL Positioned for ongoing success

	FY15 A$M	FY14 A$M	A$M CHANGE	% CHANGE
REVENUE	211.6	143.4	68.2	47.6%
EBITDAW (NORMALISED) [1]	24.3	22.0	2.3	10.5%
EBITDAW MARGIN [1]**(NORMALISED)**	13.5%	17.5%		

Commentary

- Strong enquiries and file openings
- WSW and Leo Abse Cohen (LAC) acquisitions performing well
- Aquisition integration program well advanced
- Sophisticated PIL workflow deployed

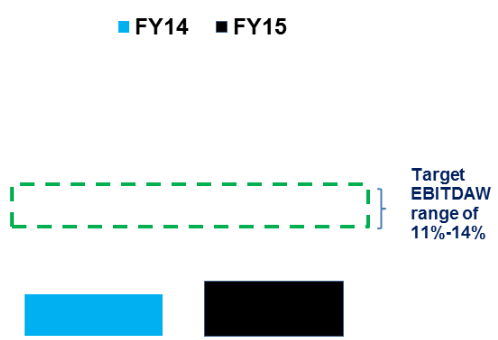


1. *FY15 normalised for acquisition costs of (A$9.4) and discount on acquisition associated with Leo Abse Cohen and WSW acquisitions. FY14 normalised for acquisition costs of (A$3.3), discount on acquisition associated with Fentons acquisition and exit of onerous lease of (A$5.2M)*

Operational Performance

UK GL Investing in scale

	FY15 A$M	FY14 A$M	A$M CHANGE	% CHANGE
REVENUE	47.8	39.1	8.7	22.3%
EBITDAW (NORMALISED)[1]	4.0	2.4	1.6	66.7%
EBITDAW MARGIN (NORMALISED)[1]	8.2%	6.3%		



Commentary

- Continuing to invest and build scale in key areas
- Focus on targeted business development opportunities
- Growth campaigns in Employment and Family well received

1. FY15 normalised for acquisition costs of (A$1.8M). FY14 normalised for acquisition costs of (A$0.4M) and onerous lease costs of (A$0.9M)

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Operational Performance

SGS Legal Services showing good early signs

Claims

- Improving trajectory in resolution rates – H2 FY15 ~ 35% up YoY
- Key business improvement projects already delivering results
- Medco[1]: Risks associated with potential settlement delays understood and mitigated

Noise Induced Hearing Loss (NIHL)

- Thorough review of hearing loss files well progressed
- Preliminary Conclusion: Substantial value in portfolio – Expectations for FY16 unchanged

1. A mandatory government portal used by claimant lawyers to access medical reports from unconnected medical report providers for soft tissue RTA claims

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Operational Performance

SGS Motor and Health business as usual

- Impact of non-continuing Swintons' contract not expected to materially impact Slater Gordon Solutions earnings, even if revenue not replaced
- Opportunities to mitigate Swintons' revenue loss at improved margins over FY16
- Program of activity designed to build on existing strategic partnerships
- Good early progress on debt recovery strategy in motor services business
- Health services performing in line with expectations
  - Too early to conclude on medium term prospects

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Group Operations

Initiatives focused on accelerating margin, improving client satisfaction and cash flow

- Continued investment in Slater and Gordon Lawyers brand – brand awareness now 72%[1] in Australia and 24%[2] in the UK
- Client focused initiatives delivering significant increase in Australian client satisfaction[3]
- Management teams re-structured for Group, Australia and UK
- Flagship office locations established
- Maturing staff value proposition including re-alignment of Remuneration and Reward packages
- Acquired businesses substantially integrated in Australia & UK with no near term acquisition activity planned
- UK single practice and case management system implementation (Excluding SG Solutions)

1. *Brand awareness study from internally commissioned brand awareness survey*
2. *Brand awareness study from internally commissioned brand awareness survey*
3. *Client satisfaction TRIM score based on internally commissioned survey moved from 70 to 76*

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Group Outlook

Harnessing potential of scale

Group Financial Targets

- PIL practices (Excl. SGS) ~ 5% revenue growth target
- GL practices ~ 8% revenue growth target
- Total Group Fees (incl. SGS) A$1,150m[1]+
- Group EBITDAW A$205m[1,2]+
- Operating Cash flow/EBITDAW Target 100%

1. *Assumes GBP:AUD exchange rate of £0.48*
2. *Normalised for AASB3 policy change*

Appendices

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Appendix 1: Accounting for deferred acquisition consideration

- The Group has reassessed its accounting treatment of deferred consideration payable in the context of its acquisition of legal service practices. This reassessment has taken into account an analysis of historical acquisitions both in Australia and the United Kingdom where cash and share-based consideration payable to the vendor principals of businesses acquired by the Group is deferred.
- Historically, all cash payments and share issues to vendors, whether restrained, deferred, contingent or otherwise, have been treated as consideration for the relevant business acquisition.
- The Group has now carefully considered the appropriate treatment of these payments in light of the evolving interpretation of AASB 3 with regard to the treatment of specific components of deferred consideration.
- An assessment has been made in relation to those arrangements that include contingent consideration for the business to vendor shareholders of the business that are subject to so-called "bad leaver" provisions.
- Included in the terms of a number of purchase agreements entered into by the Group is an arrangement whereby the payment of cash consideration to and/or the retention of share-based consideration by the vendors of acquired entities is contingent upon the relevant vendor shareholder remaining with the Group for a defined period. If a vendor ceases to remain with the Group for the prescribed period, the vendor may forfeit its entitlement to payment of the cash consideration and/or its ability to retain its share-based consideration, at the discretion of the Group.
- In light of the evolving interpretation of AASB 3 within the accounting profession, we now take the view that such arrangements will be deemed to be "separate transactions" for accounting purposes, the effect of which is that they are treated as payments to former owners, to be expensed in accordance with other applicable Australian Accounting Standards.

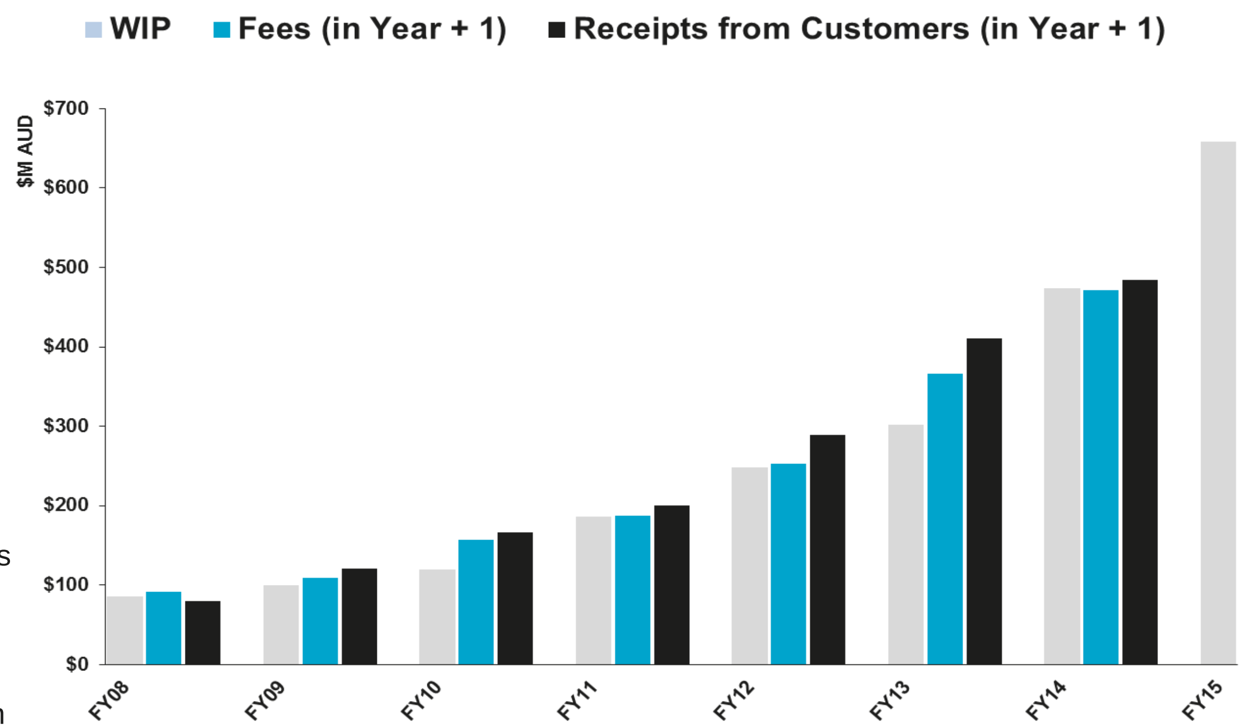
Impact on consolidated comprehensive income of the restatement of business acquisition accounting	2015 A$M	2014 A$M
Gain on bargain purchase	42.5	24.8
Payments to former owners	(14.1)	(3.7)
Share based payment expense to former owners	(11.4)	(5.4)
Decrease in finance cost	1.3	0.3
Decrease in income tax expense	1.2	0.8
Increase in profit for the year	**19.5**	**16.9**

Impact on Net Assets	**2015 A$M**	**2014 A$M**
Decrease in intangible assets (Goodwill)	(0.3)	(7.6)
Decrease in payables	(20.3)	(15.4)
Decrease in current tax liability	(1.2)	(0.8)
Increase in provisions	10.6	3.3
Total Impact	**(11.3)**	**(20.5)**

Appendix 2: Group WIP, Fees and Cash Receipts Correlation (ex SGS)

Correlation between WIP, Fees and Cash Receipts

- Matters take on average 18-24 months to conclude, during which time they accumulate WIP recognising the work completed on the matter
- WIP generates the following periods fees as the case settles, and turns into cash receipts
- The accompanying graph highlights the correlation between WIP, Fees and Cash Receipts from Customers, with WIP converting on average to 116% cash receipts from customers in the following year



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Appendix 3: Statutory Financial Results (Including SGS)

.	FY15 (excl PSD) A$M	FY15 PSD A$M	Total FY15 A$M	FY14	% CHANGE
REVENUE	586.2	37.2	623.3	418.5	↑ 48.9%
EBITDA	133.7	(5.4)	128.4	98.0	↑ 31.0%
EBITDA MARGIN	22.9%	NA	20.7%	23.5%	
NPAT	87.0	(4.6)	82.3	61.1	↑ 34.7%
NET OPERATING CASH FLOW % NPAT			49.6%	89.1%	
			CENTS	**CENTS**	**% CHANGE**
BASIC EPS			35.1	30.3	↑ 15.8%
DILUTED EPS			34.8	29.8	↑ 16.8%

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Appendix 4: FY15 Results (AUS & UK)

	AUST A$M	UK A$M[1]	PSD A$M	FY15 A$M	FY14 A$M	A$M CHANGE	% CHANGE
REVENUE	305.2	280.9	37.2	**623.3**	**418.5**	204.8	↑ 48.9%
EBITDA (NORMALISED)	57.0	64.6	(5.4)	**116.2**	**100.8**	15.4	↑ 15.3%
EBITDA MARGIN (NORMALISED)	21.7%	27.6%	NA	**21.8%**	**25.1%**		
NPAT	37.1	49.9	(4.6)	**82.3**	**61.1**	21.2	↑ 34.7%
NPAT MARGIN	13.6%	18.4%	NA	**14.2%**	**14.6%**		
				CENTS	**CENTS**	**CENTS CHANGE**	**% CHANGE**
BASIC EPS				**35.1**	**30.3**	4.8	↑ 15.8%
DILUTED EPS				**34.8**	**29.8**	5.0	↑ 16.8%
DIVIDEND				**8.8**	**8.0**	0.8	↑ 10%

1. *Actual average exchange rate for FY15 of £0.4872*

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Appendix 5: Balance Sheet

BALANCE SHEET (GROUP)

	FY15	FY14
DEBTOR DAYS[1, 4, 5]	116	92
PAID DISBURSEMENT DAYS[1, 4, 5]	39	43
WIP DAYS (AUSTRALIA)[2, 4, 5]	462	441
WIP DAYS (UK)[2, 4, 5]	363	304
NET BANK DEBT/EQUITY	43.0%	23.9%
PRO FORMA NET LEVERAGE RATIO	2.0x	1.0x
INTEREST COVER (TIMES)[3, 4]	12.2x	17.0x
RETURN ON EQUITY[4, 6]	12.3%	15.2%

1. *Based on net fees*
2. *Based on total revenue*
3. *Interest cover excludes notional interest on deferred consideration*
4. *Normalised*
5. *Excludes PSD*
6. *Based on weighted average of equity in FY15*
7. *Includes pro forma PSD EBITDA contribution of GBP95m*

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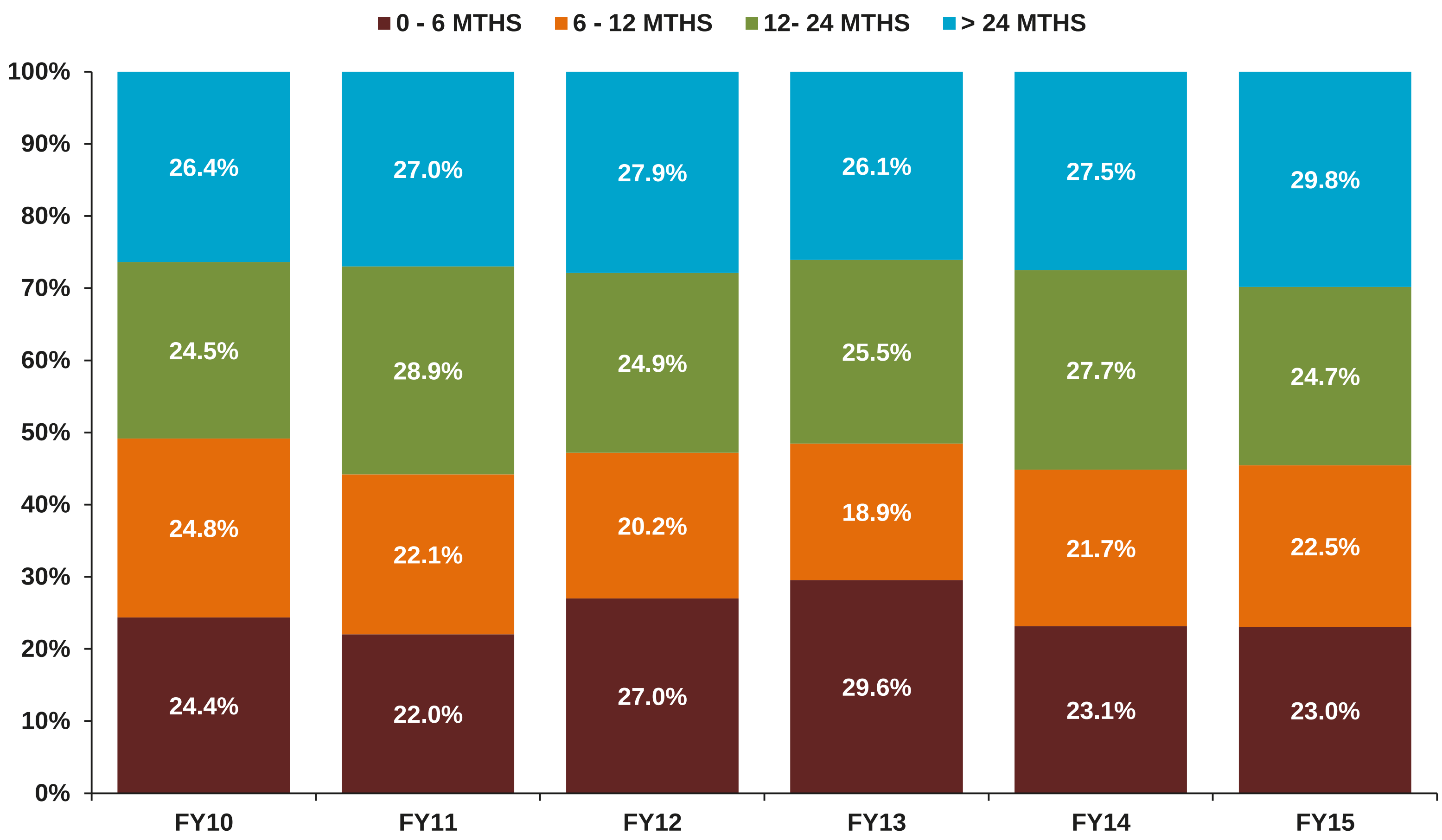
Appendix 6: Ageing Profile of Matters by volume - Australia



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Appendix 7: Group WIP Reconciliation (ex SGS)

	FY10 A$M	FY11 A$M	FY12 A$M	FY13 A$M	FY14 A$M	FY15 A$M
Opening Work In Progress	100	120	188	249	302	473
Add: Movement in WIP (P&L)	13	21	25	39	46	70
Add: Acquisitions	7	47	36	11	121	98
Add: FX	-	-	-	3	4	26
Closing Work in Progress	120	188	249	302	473	667
Closing FX rate (AUD:GBP)				1.6572	1.8039	2.0525

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Appendix 8: SGS Balance Sheet

	Acquisition Pro Forma	FY15 Accounts
Cash	0	35
Receivables	372	360
Work in Progress	420	158
Intangible Assets	141	59
PPE and Other Assets	11	76
Total Assets	**943**	**688**
Payables	(239)	(360)
Borrowings	0	0
Other Liabilities	(112)	(5)
Total Liabilties	**(351)**	**(365)**
Net Assets	**592**	**323**

- Not like-for-like comparison, with FY15 Accounts including opening balance sheet prepared on provisional basis
- Underlying cashflows expected to arise from the SGS assets acquired remain largely unchanged
- FY15 Accounts include no WIP value for NIHL portfolio
- FY15 Accounts include lower initial valuation of other legal and complementary services WIP, reflecting revised accounting policies
- Provisional acquisition balance sheet may be revised in FY16 accounts, once additional data is collected and policies reviewed by Group management. Any resulting adjustment to be through revision of opening position (avoiding any potential distortion of P/L earnings in future periods).

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Appendix 9: Tax Expense versus Payments

- Slater and Gordon has generated significant growth over recent years, through both organic business development and acquisitions – this has led to accounting tax being lower than actual tax paid, due to temporary (from organic WIP) and permanent (from WIP acquired as part of a going concern) differences

Temporary Differences

- Accounting standards require that WIP revenue (net of expenses) is treated as taxable earnings, and therefore a tax expense is recorded – *accrual basis*
- Tax is actually paid under Australian law only on when client,is invoiced ie when revenue converts from WIP accrual to billed – *quasi-cash basis*
- As a result, there is an initial divergence between the tax expense in the P&L and the tax payments in the cash flow - this difference gives rise to a deferred tax liability, which is reversed when the invoice is raised and cash tax becomes payable
- **Over the full life of a file accounting tax will equal cash tax paid**

Permanent Differences

- Acquired WIP (whether from a going concern transaction or a file purchase) is tax deductible
- However WIP acquired through a going concern deal is not deductible on an accounting basis
- As such, WIP from a going concern deal leads to a permanent difference between accounting and actual tax
- **This is a one off impact – future internally generated WIP from the acquired business does not create a permanent difference**

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