

# Slater & Gordon

Slater &  
Gordon  
*Lawyers*

Andrew Grech - Managing Director  
Wayne Brown - CFO

Results presentation - H1 10

# Disclaimer

This document has been prepared by Slater & Gordon Limited (Slater & Gordon) and comprises written materials/slides for a presentation concerning Slater & 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 & 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 & 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 & 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 & Gordon since the date of this presentation.

# First Half Year Highlights

- ▶ Strong cash flow performance
- ▶ Revenue up 16.4%
- ▶ Continued strong organic growth
- ▶ On track to complete 4 acquisitions in FY 10
- ▶ Closing Revenue / NPAT / EPS growth gap
- ▶ Fully franked interim dividend of 2.0c (up from 1.0c H1 09)

- ▶ **Maintaining strong acquisition pipeline**
- ▶ **Improvement in underlying margins in PI practices in NSW & Queensland**
- ▶ **Achieving scale in non PI practices**
- ▶ **Implementing systems and process measures in non PI practice to accelerate margin improvement trend**

## Closing the Gap between Revenue and EPS growth

*Reputation & Results™*

	H1 10	H1 09	% change
Revenue	58,767	50,507	↑ 16.4%
EBITDA	14,850	12,763	↑ 16.4%
EBIT	14,179	12,457	↑ 13.8%
EBIT Margin	24.4%	24.9%	
NPAT	9,485	8,463	↑ 12.1%
EPS (Basic)	8.7	8.0	↑ 8.8%
EPS (Diluted)	8.1	7.5	↑ 8.0%
Interim Dividend	2.0	1.0	↑ 100.0%

# Balance Sheet

## ► Strong platform for Growth

*Reputation & Results™*

- Continued focus in H2 10 on cash with new measures being implemented to continue improvement in cash performance and reduce disbursement funding over time.

	H1 10	H1 09
Debtor Days*	103	125
Paid Disbursement Days*	83	84
WIP Days (PI & Non PI)*	358	368
WIP Days (Self Funded Projects)	38	29
Debt / Equity Ratio	30.7%	26.8%
Interest Cover	15.5	17.3
Return on Equity	16.4%	16.2%

\* Normalised for Kenyons acquisition complete in December 2009

See Annexure slide A for detail

## ▶ Recovery of FY09 deferred cash flows

*Reputation & Results™*

- ▶ Key measure of performance is Operating cash flow as a % of NPAT
- ▶ Management target of 70% - 80%

	Jun 08	H1 FY09	Jun '09	H1 FY10
NPAT	15,104	8,463	17,047	9,485
Cash Flow from Operations	11,563	1,303	(772)	13,461
<b>% Recovery</b>	<b>76.6%</b>	<b>15.4%</b>	<b>(4.5%)</b>	<b>141.9%</b>

- ▶ H1 10 has seen recovery of deferred cash flows resulting from implementing new PMS in FY 09
- ▶ Still yet to recover significant disbursements from Self Funded Projects
- ▶ No significant cash requirement from Projects in 2H 10
- ▶ Continuing focus on improving cash performance.

See Annexure slide B for detail

## ▶ Personal injuries practice groups

Earnings margins have increased over past three years while integrating acquisitions

## ▶ Commercial & project litigation

Significant investment in Projects over past two years which are yet to complete. On track to build sustainable year on year EBIT margins in range of 15-20% excluding significant returns on self funded projects.

## ▶ Business & private clients

Increased >350% in revenue over past three years from low base. Still establishing scale and implementing systems and processes. Margin growth to follow scale.

## ▶ Family law

Doubled in revenue over past three years from low base. Significant opportunity exists to become nationally recognised provider of family law services, a highly fragmented national market of \$400M - \$500M in professional fees.

## ▶ Support services

Stepped increase over past year, now at a stage to support significantly larger business.

## ▶ Continued organic growth

- Personal injuries practice groups on track to deliver >10% organic growth in revenue
- Opened new greenfield office in Joondalup (WA) in January 2010
- Planned new sites in Frankston (Vic) and Wangaratta (Vic) in second half of FY2010

## ▶ Acquisitions to contribute in H2 FY2010

- Kenyons completed December 2009
- Adams Leyland due for completion April 2010
- Combined revenue impact of FY10 acquisitions \$5m in FY10 - weighted to H2
- Annualised impact >\$12m revenue

## ▶ Projects Litigation Portfolio beginning to mature

- Storm → Settlements commenced.
- Brooklands Green → Mediation scheduled for May 2010
- Vioxx → Awaiting judgment (trial completed June 2009)



Slater &  
Gordon

*Lawyers*

# Annexure Slide A

## Balance Sheet

*Reputation & Results™*

	H1 10	FY 09
Cash	3,100	29
Net Debtors	28,511	31,465
Net Disbursements	34,819	33,504
Work in Progress	111,013	99,230
Plant & Equipment	7,142	2,256
Intangible Assets	24,074	18,714
Ownership Plan Receivable	16,698	14,656
Other Assets	4,607	7,061
<b>Total Assets</b>	<b>229,964</b>	<b>206,915</b>
Payables	30,454	30,068
Debt	35,400	28,287
Tax Payable	904	-
Deferred Tax Liability	38,106	34,666
Provisions	9,654	8,490
<b>Total Liabilities</b>	<b>114,518</b>	<b>101,511</b>
<b>Net Assets</b>	<b>115,446</b>	<b>105,404</b>

# Annexure Slide B

## Cash Flow

*Reputation & Results™*

	H1 10	H1 09
<b>EBITDA</b>	<b>14,850</b>	<b>12,763</b>
Movement in WIP	(7,790)	(4,129)
Working Capital Movement	5,755	(4,030)
<b>Gross Cash Flow</b>	<b>12,815</b>	<b>4,604</b>
Net Interest Paid	(993)	(765)
Tax refund	1,639	(2,536)
<b>Operating Cash Flows</b>	<b>13,461</b>	<b>1,303</b>
Capital Expenditure	(1,677)	(1,518)
Payments of Acquired business	(9,289)	(7,243)
<b>Investing Cash Flows</b>	<b>(10,966)</b>	<b>(8,761)</b>
Dividends paid	(3,538)	(3,201)
Net proceeds from Borrowings	4,370	7,001
Other	1,685	(42)
<b>Financing Cash Flows</b>	<b>2,517</b>	<b>3,578</b>
<b>Net increase (decrease) in Cash</b>	<b>5,012</b>	<b>(3,700)</b>

# Annexure Slide C

## Continued Growth

Reputation & Results™

