

15 February 2010

Slater & Gordon First Half Profit Up 12.1%

The board of national law firm Slater & Gordon Limited (ASX: SGH) today announced a net profit after tax (NPAT) of \$9.5 million for the half year ending 31 December 2009, up 12.1% on the previous corresponding period. Revenue increased 16.4% year on year to \$58.8 million.

As forecast at FY09 year end, cash flow from operations increased significantly in the first half of FY10 to \$13.5 million.

Directors have declared an interim dividend of 2 cents per share fully franked, an increase of 1 cent per share on the previous corresponding period.

Results summary

	H1 10 \$'000s	H1 09 \$'000s	Change
Revenue	58,767	50,507	+16.4%
EBITDA	14,850	12,763	+16.4%
EBIT	14,179	12,457	+13.8%
NPAT	9,485	8,463	+12.1%
EBIT Margin (%)	24.4%	24.9%	-0.5
EPS (Basic) (cents)	8.7	8.0	+8.8%
EPS (Diluted) (cents)	8.1	7.5	+8.0%
Interim Dividend (cents)	2.0	1.0	+100%

Business highlights:

- Increase in operating cash flow to \$13.5 million (142% of NPAT)
- Acquisition of Kenyons Lawyers, based in Melbourne's northern suburbs, Long Howland (Gunnedah NSW) and McGlade Lawyers (Ballarat, Vic)
- Announcement of proposed acquisition of NSW regional firm Adams Leyland Lawyers
- Opening of new offices in Ipswich (Qld) and Joondalup (WA).
- Continued strong performance of personal injuries practices
- Continued increase in contribution to total revenue from Queensland and NSW

Slater & Gordon managing director Andrew Grech said the increase in revenue was almost all due to the organic growth of the business, noting that recent acquisitions contributed less than one million dollars to the fee growth.

“We had relatively modest additional revenue from acquisitions in the first half and we also continued to invest in other growth initiatives,” Mr Grech said, “but we were still able to increase revenue by over 16% year on year and earnings by 12%.”

Mr Grech said that the strong performance of Slater & Gordon’s personal injuries practices was enabling the company to continue to support the longer term development of a broader range of legal services. “Our returns in some of the non personal injuries practices are not yet up to our target levels but in all cases they are improving,” he said.

“It’s also pleasing to note that we were able to deliver the large increase in operating cash flow that we said we would,” Mr Grech added.

The \$13.5 million operating cash flow for the half represented a 142% operating cash flow to NPAT ratio, well above the company’s target range of 70-80%. The first half result included the recovery of some deferred cash flow resulting from the FY09 implementation of a new practice management system.

FY10 Full Year Outlook

Strong organic growth is expected to continue.

The recently completed acquisitions and the proposed completion of the Adams Leyland acquisition in early April are expected to deliver additional revenue of around \$4 million in the second half.

Claims on behalf of former Storm Financial clients continue to be progressed. Any net increase in earnings for Slater & Gordon arising from resolution of Storm client matters will not be material. A significant proportion of the company’s commercial litigation resources have been assigned to the Storm action to the exclusion of other budgeted work and some of the work on Storm has already been taken to account as work in progress.

A Court judgement in the Vioxx class action is expected in the second half. Mediation in the Brooklands Green Cranbourne (Victoria) land contamination matter has been scheduled for May.

A new national advertising campaign is scheduled to commence later this month.

The full year EBIT margin is currently expected to be within the target range of 24-25%.

ENDS

For more information

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