

ASX Announcement

27 August 2021

Slater & Gordon Ltd FY21 Full-Year Financial Results and Business Update

Slater & Gordon Ltd (“Slater & Gordon” or “the Company”) (ASX: SGH) today announced its full year results to 30 June 2021.

The results show the Company continues to improve and continues to lay strong foundations for future growth, reporting a net profit after tax for the full year ended 30 June 2021 of \$14.5m. This compares favourably to a net loss after tax for the full year ended 30 June 2020 of \$1.2m.

The Company also reported EBITDA before specified items¹ of \$48.6m, compared to \$35.3m in FY20. Revenue on this basis increased by 14.2% and costs increased by 8.5%.

Gross Operating Cashflow was \$14.5m, compared to \$25.3m in FY20 reflecting the Company's growth in Work in Progress (WIP), with fees billed being slightly down on FY20 in part due to the impacts of COVID-19, and the Company's ongoing investment in transformation and future growth.

Business Highlights

The full-year results reflect a continuing trend of organic growth. Highlights included:

- Prioritising and protecting the health and wellbeing of the Company's clients and employees, driving the Company's COVID-19 response.
- Continuing significant investment in the Company's digital capability, with more clients choosing to engage with Slater & Gordon digitally.
- On a pro bono basis and in an Australian legal first, securing findings of a privacy breach affecting almost 10,000 people seeking asylum, which will likely result in many claims for compensation being successful.
- Continuing work to strengthen the Company's balance sheet:
 - completing in September 2020 a partial repayment of its Super Senior Facility (SSF) as part of a loan repayment tender process, repaying a total of \$5m, but at less than 100 cents in the dollar, thus reducing the amount outstanding under the SSF (including principal and interest) by approximately \$5.4m.
 - in September 2020, replacing the Company's Disbursement Asset Backed Facility with a new and more favourable Working Capital Term Loan facility, part of which was used to pay down the Disbursement Asset Backed Facility.

Statutory Results

The financial report also shows the Company ended the full-year with:

- Total revenue and other income from continuing operations of \$203.4m, compared to \$178.3m in the prior corresponding period (PCP).
- Expenses relating to continuing operations of \$182.2m, compared to \$178.5m in the PCP, reflecting increased labour costs and investment in marketing and technology to support growth and the ongoing transformation of the Company.

¹ Specified items are certain cash and non-cash items relating to transformation and normalisation of the Company.

- A net profit before income tax from continuing operations of \$21.3m (PCP: net loss of \$199k).
- Operating cash inflows generated from continuing operations of \$11.1m (PCP: \$20.0m), reflecting a reduction in fees billed.
- A net asset position of \$180.5m (PCP: \$162.3m).

COVID-19

The COVID-19 pandemic does not appear to have had a material impact on the Company's financial performance during FY21.

There has been no impact to asset values and total revenue has been at least in line with the Company's pre-COVID-19 trajectory. Government imposed restrictions and lockdowns in FY21, in particular in Victoria, had some impact on the Company's ability to progress its clients' claims, with medical panels and courts and tribunals being hampered and delayed in their activities due to the restrictions and lockdowns. This had some negative impact on the Company's fees billed and cash flows, although work in progress continued to improve.

The continued impact of the COVID-19 pandemic, including, in particular, the continued imposition of government restrictions and the broader impacts on the Australian economy, may impact the Company's performance in FY22. Although that impact (if any) cannot currently be determined, the Company has seen some continuation of the impacts on fees billed and cash flows.

The Board and Executive Leadership Team continues to monitor the situation closely and to take actions in response as appropriate and as recommended by governments and health authorities.

CEO's Quotes

CEO John Somerville said the results demonstrated the Company continues to improve and continues to lay strong foundations for future growth.

"It is pleasing to see the Company's strategy is delivering results not only in our financial performance, but for our people and our clients. However, there is still more work to do as we build the legal firm of the future.

"Most importantly, our results reflect the dedication and passion of our people for making tomorrow start today for our clients.

"I would like to thank our people, our leadership team and our Board for the support they have shown the Company, each other and our clients throughout an extraordinary year.

"Our people's determination to advocate for and achieve justice for our clients, the care and compassion they have demonstrated, and their commitment to upholding Slater & Gordon's values goes to the very heart of who we are."

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