

ASX Announcement

24 February 2022

Slater & Gordon Ltd FY22 Half-Year Financial Results and Business Update

Slater & Gordon Ltd ("Slater & Gordon" or "the Company") (ASX: SGH) today lodged its half-year results to 31 December 2021.

Primarily reflecting the impact of COVID related lockdowns on the Personal Injury Law (PIL) industry generally and the Company's business specifically, the Company's half-year result showed a 14.2% decline in Total Revenue over the prior corresponding period (PCP). This led to a \$7.5m Net Loss After Tax compared to a \$3.1m Net Profit After Tax in the PCP.

The decline in Revenue was primarily as a result of a significant reduction in Work in Progress (WIP) growth in the half. As foreshadowed at last year's AGM, WIP growth was negatively impacted by slowing enquiries and slower file progression caused by prolonged lockdowns in Victoria during the half and to a lesser extent in New South Wales. There are early signs of improvement in enquiries since the lockdowns were lifted toward the end of the half. Pleasingly, the decline in WIP growth was partly offset by strong fee revenue growth in the PIL division.

The Company reported a Gross Operating Cashflow of \$(1.7)m which was negatively impacted by the timing of billing during the half.

The Company also reported EBITDA before specified items¹ of \$4m compared to \$18.8m in the PCP, impacted primarily by the movement in WIP.

Business Highlights

- Fees revenue increased 1% to \$78.2m. Fees within the PIL division increased 5% while Class Action fees declined due to lower settlement activity in the half.
- Increased expenses² of 3%. This increase in expenses is primarily attributed to ongoing investment in hiring talent to support growth, as well as a build-up of leave provisions arising from extended lockdowns in Victoria and New South Wales. The labour expense growth was offset by non-labour expense reductions.
- Secured compensation for, and a formal apology was given to, First Nations survivors of abuse suffered as children at the Garden Point Catholic Church mission on Melville Island.
- Obtained the first ever Group Cost Order in a Class Action in Australia.
- Continued focus on the firm's ethos of social justice: on a pro bono basis 73 employees across the Company supported Afghan refugees with immigration applications.
- Refinanced Term Loan Facility to provide ongoing working capital on more favourable terms.

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

² Excluding specified items and bad and doubtful debts

Statutory Results

The Company's Financial Report for the half-year to 31 December 2021 also shows:

- Net loss after tax from continuing operations of \$7.7m, compared to a net profit after tax from continuing operations of \$2.8m in the PCP.
- Operating cashflow generated from continuing operations of \$(5.6)m compared to \$6.1m in the PCP, largely due to lower customer fee and disbursement receipts.
- A net asset position of \$173.5 compared to \$180.5 for period ending 30 June 2021 due to the net loss in operating performance.

COVID-19

Until this half, the Company's performance had not been materially impacted by the COVID-19 pandemic. At the Company's AGM in mid-November, the Company noted that the lockdowns in Victoria and New South Wales were impacting file progression and were likely to impact the results for the first half of FY22. There was also an impact on new files. This trend continued for the half and has clearly impacted the results.

While there has been some improvement since the lockdowns were eased, there remains some COVID-related restrictions on work, which may continue to impact performance.

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

The Company neither sought nor received Jobkeeper assistance at any time.

CEO Quotes

CEO John Somerville said:

"While these results are disappointing, the fact that we have been able to largely absorb the impact of the significant disruptions caused by the COVID pandemic to date shows we have made reasonable progress in rebuilding the resilience of our business. However, we clearly have more work to do.

"I want to thank our people for the support and commitment they have shown to our clients and to each other during the ongoing challenges of the pandemic.

"This half demonstrated how unpredictable the impacts of COVID and the government restrictions can be.

"It was pleasing to see the resilience of our Personal Injury Law fees, which demonstrates the hard work put in by our people in extremely trying times.

"We continue to remain focused on our strategy and on building the law firm of the future, so we can make *tomorrow start today* for Australians who need our help."

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