

17 August 2010

Slater & Gordon Profit Up 16%

- **NPAT up 16% to \$19.8 million**
- **EPS up 13%**
- **Total dividend of 5.0 cents per share for full year**
- **26% compound annual revenue growth since 2007 listing**
- **Step change in Queensland market share from Trilby Misso acquisition**

The board of national law firm Slater & Gordon Limited (ASX: SGH) today announced a net profit after tax (NPAT) of \$19.8 million for the year ending 30 June 2010, up 16% on the previous year. Revenue increased 21% year on year to \$124.7 million.

Cash flow from operations increased to \$24.7 million or 125% of NPAT.

The Directors have declared a final dividend of 3.0 cents per share fully franked. The total dividend for the year of 5.0 cents is 18% or 0.75 cents up on the previous year.

Business highlights

- Acquisition of Trilby Misso Lawyers, Queensland's leading personal injuries firm
- Completion of acquisitions of Kenyons Lawyers, based in Melbourne's northern suburbs, Long Howland (Gunnedah NSW), McGlades Lawyers (Ballarat, Vic), Stewart & Noble Lawyers (Wangaratta, Vic) and Adams Leyland Lawyers (Albury and Dubbo, NSW)
- Federal Court Vioxx class action judgement in favour of lead plaintiff
- Development and delivery of the innovative Storm Financial resolution scheme with the Commonwealth Bank of Australia – providing an accelerated process to achieve fair and equitable outcomes for former Storm clients.

"This has been an outstanding year for our business," Slater & Gordon managing director Andrew Grech said. "Strong profit and EPS growth, cash flow gains and excellent progress on the delivery of our business strategy culminating in the Trilby Misso acquisition."

Slater & Gordon's \$57 million acquisition of Queensland's leading personal injury firm Trilby Misso was completed last week. The acquisition is forecast to be 9% earnings accretive in the first year.

"The Trilby Misso acquisition is the most tangible demonstration of our determination to lead the consolidation of the national personal injuries litigation market," Mr Grech said. "We are now the clear market leaders in Victoria and Queensland with a strong foundation in New South Wales for future growth."

Over the past three years, Slater & Gordon has enjoyed compound annual revenue growth of 26%, with approximately 11% of that growth organic. In line with its national growth strategy, fees from outside Victoria increased from 34% in 2007 to 42% in 2010. That will increase to over 55% in 2011 with the Trilby Misso acquisition. The strategy to broaden the range of services offered to the well over 50,000 people who contact Slater & Gordon every year with their legal enquiries has seen fee revenue from the non personal injury practices grow from \$13 million in 2007 to \$32 million in 2010.

Each of the non personal injury practices is pursuing a growth path tailored to the particular needs and opportunities of their markets. Fee revenue from the Family Law, Business & Private Clients and Commercial & Project Litigation practice areas grew by a combined 29% in FY10 and while the margins in these practices are not yet up to target levels, they are improving steadily.

Outlook

Double digit organic growth is expected to continue and potential acquisitions will continue to be explored.

The Trilby Misso acquisition is expected to add revenue of approximately \$30 million and be earnings per share accretive by around 9% in FY11. The full year effect of the other acquisitions completed in FY10 is expected to add over \$12 million of revenue in FY11.

Additional resources will be applied to accelerate penetration into the Sydney personal injuries market and to pursue the growth opportunities identified in some of the non-personal injuries practices. Areas of particular interest include Family Law, online wills and other online products, where the strength of the Slater & Gordon brand will be leveraged to substantially increase the company's currently low share (1% or less) of the national market.

The Vioxx class action decision has been appealed by the defendant, with the appeal unlikely to be determined before the end of the financial year. Mediation on the Brookland Greens (Cranbourne, Victoria) land contamination matter is continuing. Other new major litigation projects will continue to be aggressively pursued with many funded by third parties or clients.

The target full year EBIT margin is 26% on revenue of approximately \$160 million.

"We have delivered 26% compound annual revenue growth over the past 3 years and in the process have built a much stronger business with promising opportunities for greater growth," Mr Grech said. "Our objective is to continue to generate revenue and profit growth of at least that level and conceivably more over the next several years."

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For more information

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