

# ASX Announcement

28 February 2018

## Market update: half-year results and business update

Slater and Gordon (ASX:SGH) today lodged its half-year results to December 31 2017. The half-year results reflect the implementation of Slater and Gordon's ongoing business transformation program. As a result of this program, Slater and Gordon now has a stronger capital structure, a simplified operating model and a clearly defined service offering; giving the stability required to now focus on growing its core services.

### Business Highlights

The half-year results reflect the following substantial work which has been undertaken – and which continues – to transform the business to help to ensure its long-term viability:

- Recapitalisation of the Group via the creditor's Scheme of Arrangement ("the Senior Lender Scheme"), which provided the restructured Group with a sustainable level of debt and additional liquidity (see the Company's previous announcements);
- Significant operational rationalisation already delivered, with the General Law and footprint review progressing;
- Streamlined, contemporary service offering with focus on organically growing core service areas of Personal Injury, Union Services, Class Actions, Industrial and Employment Law and Commercial and Estate Litigation;
- All UK operations and UK subsidiaries have separated from the Company and transferred to a new UK holding company wholly owned by the Senior Lenders, enabling both businesses to focus independently on their differing strategic initiatives without the distractions of broader operations in different jurisdictions and removal of group costs; and
- Shareholder class actions resolved by the Shareholder Claimant Scheme now being implemented by the scheme administrators (see the Company's previous announcements).

### Statutory Accounts

The financial report shows the business ended the half-year to 31 December 2017 with:

- Total revenue and other income from continuing operations of \$96.3m (2016: \$117.8m);
- A net loss from continuing operations after tax of \$21.2m (2016: \$14.5m);
- Operating cash outflows generated from continuing operations of \$0.8m (2016: inflows of \$6.1m); and
- A significantly improved net asset position of \$90.1m (2016: net liabilities of \$248.8m) following restatement of the senior secured debt facilities and separation from the UK business.

The financial position at 31 December 2017 demonstrates that the fundamentals of the underlying business are strong, and will benefit further from the transformation program. An unmodified Auditors' Review Report has been issued, whereas the 30 June 2017 Audit Report

included a paragraph emphasising the existence of material uncertainties related to going concern.

### **Business Transformation Program**

Underpinning this strategy is a business-wide transformation program to improve profitability while maintaining and enhancing the client experience and outcomes, focusing on removing unnecessary and unsustainable overheads and increasing revenue by investing in our core business.

The transformation program included a comprehensive review of the scope of legal services being provided and the office footprint through which these services are delivered. The result of this review is a far simpler business model and a streamlined service set. These changes are intended to enhance value in our firm and help ensure it is able to provide the best possible service to our clients.

Slater and Gordon is committed to implementing this program of business strengthening and modernisation so the firm can continue doing what it has done successfully for more than 80 years: recruiting and developing high calibre people who make a difference to the many thousands of people who need affordable access to high quality legal services.

### **Share Issuance**

In accordance with the requirements of Accounting Standards, the shares issued under the Senior Lender Scheme have been measured at the ASX share price on the implementation date of the scheme on 22 December 2017, being \$3.35 per share.

The Directors note that in the independent expert's report prepared by KPMG Financial Advisory Services (Australia) Pty Ltd in relation to the creditors' Scheme of Arrangement, the expert made an assessment of the implied equity value of the Company, based on the assumptions, qualifications and financial analysis set out in that report. This implied equity value was in the range of \$0.30 to \$1.10 per share (price adjusted for the 100-for-1 share consolidation that occurred on 8 December 2017).

The independent expert report was published to the market as part of the Senior Lender Scheme Explanatory Statement on 30 October 2017. Attention was drawn again to the Senior Lender Scheme Explanatory Statement by the Company in the ASX Announcement dated 29 November 2017 and attention was specifically drawn to the implied equity value in the independent expert's report in the ASX Announcement by the Company dated 7 February 2018.

*ENDS*

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### **About Slater and Gordon**

Slater and Gordon Limited ("Slater and Gordon Group", ASX:SGH) operates personal injury and consumer law services firm Slater and Gordon Lawyers in Australia.