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## **Executive Summary**



#### UK Expansion Strategy

- Having entered the UK market 12 months ago, and consistent with the UK expansion strategy Slater & Gordon ('S&G') believes there is a clear opportunity at present to lead the consolidation of the UK personal legal services market
- S&G has signed term sheets for the acquisition of three personal legal services firms in the UK with a strong strategic fit
- This capital raising provides the financial flexibility to capitalise on the broad spectrum of further accelerated growth opportunities in the UK, including WIP acquisitions, lateral hires and business acquisitions

#### Guidance Confirmed

Continued strong growth in underlying business – previous FY13 earnings guidance confirmed

## Placement and SPP ('Offer')

- Fully underwritten placement to professional and sophisticated institutional investors ('Placement') to raise \$58.9m at an issue price of \$2.55 per new share
- Non-underwritten share purchase plan ('SPP') to raise up to approximately \$5.0m to enable retail shareholder participation at the same issue price as the placement (together the 'Offer')
- Funds raised will be used to fund identified acquisitions in the UK and to provide financial flexibility to act on further accelerated growth opportunities
- Following the Offer, based on the pro-forma 31 December 2012 balance sheet, gearing (net bank debt to equity) is expected to decrease to 13.5%, before acquisitions

### UK Update



#### Strategic Rationale

- Changes in the UK legal environment are driving consolidation of the consumer legal services market
- No dominant law firm brand currently exists in consumer legal services in the UK
- UK business provides future growth platform in a market that is 4-5 times the size of the Australian market

UK strategy: Build direct to consumer brand as law firm of choice for individuals

#### UK Business Update

- UK acquisition bedded down and performing according to expectations
- RJW completed its re-branding in February 2013 and is now trading as S&G
- Previous FY13 earnings guidance confirmed

## Growth Strategy Execution Update

- S&G has identified a number of accelerated growth opportunities which expand our geographic presence and strengthen our position in the plaintiff personal injuries legal market
- Term sheets signed with three personal legal services firms
- Broad spectrum of further accelerated growth opportunities including WIP acquisitions, lateral hires and business acquisitions

### UK Acquisitions



S&G has identified three personal legal services firms based on strong strategic and cultural fit with S&G's existing UK operations<sup>1</sup>

- Simpson Millar National (10 offices)
- Goodmans Law Liverpool
- Taylor Vinters (PI practice only) Cambridge

These three targets substantially advance the achievement of our strategic objectives for the UK

- ✓ Revenue and earnings growth
- ✓ Geographic expansion
- ✓ Specialist practice area development
- ✓ Increased depth of competence
- ✓ Organisations with strong cultures

#### Geographic expansion opportunities



1. Note that discussions in respect of potential acquisitions are ongoing and there is no assurance that any or all of the acquisitions will proceed

## Slater & Gordon Limited 20.

### Impact on S&G



## Successful integration of the three firms will make a significant contribution to the financial performance of S&G's UK operations

- Expected annualised combined revenue contribution of approximately \$35-40m<sup>1</sup>
  - Expected annualised revenue contribution of Simpson Millar of approximately \$24-27m<sup>1</sup>
- Expected combined EBITDA contribution of approximately \$8-10m<sup>1</sup>
- EBITDA acquisition multiples in the range of ~3.5x-4.5x (RJW FY13 multiple 4.9x)
- Full impact of Offer to result in small dilutive impact upon otherwise strong forecast EPS growth in FY14
- Offer also provides financial flexibility to pursue further accelerated growth opportunities

	FY12 Group \$M <sup>2</sup>	FY12 UK \$M	FY13 Group Guidance \$M	FY13 UK Guidance \$M <sup>1</sup>	Identified Acquisitions \$M <sup>1,3</sup>
Revenue	223.8	11.5	290.0	70.0	~35-40
EBITDA	57.6	1.4			~8-10
EBITDA Margin	25.9%	12.0%	24-25%	20.5%	~23-24%
NPAT	33.4	0.5			~5-7
NPAT Margin	14.9%	4.3%			~15-16%

- 1. Assumes GBP:AUD exchange rate of 0.65
- 2. Normalised for Vioxx and acquisition costs in FY12
- 3. Comprises full year pro forma financial information in relation to three acquisitions which are currently being assessed by S&G. Excludes the impact of any integration costs or synergies

## Status of Potential Acquisitions



Expected composition of combined acquisition consideration as follows:

UK Acquisition Consideration	$M^1$
Upfront Cash (including repayment of external debt)	20.0
Equity	5.7
Deferred cash (1 year)	5.4
Deferred cash (2 year)	4.4
Total Acquisition Consideration	35.5

- Expected completion dates: August to December 2013
  - Completion subject to finalisation of due diligence and binding acquisition agreements
- S&G expects to provide an update to the market with its FY13 results (or earlier, if there are material developments)
- Opportunity pipeline is continuing to build. Expect to execute a number of further transactions over the next 6 to 18 months

### Guidance Confirmed



Previous earnings guidance provided 27 February 2013<sup>1</sup> confirmed

Combined revenue target of \$290m

EBITDA margin target of 24%-25%

Cash flow from Operations as a percentage of NPAT target >70% Australian PI business expected to continue to enjoy 5%+ pa organic revenue growth

UK business on track

FY13 forecast revenue of \$70m<sup>2</sup>

EBITDA margin of 20.5%

- 1. Refer H1 FY13 results for further details
- 2. Assumes GBP: AUD exchange rate of 0.65

### Capital Raising

## Slater& Gordon Lawyers

#### Placement and SPP details

- Fully underwritten placement to professional and sophisticated institutional investors to raise \$58.9m at an issue price of \$2.55 per new share, representing 13.5% of current shares on issue
- Non-underwritten share purchase plan ('SPP') to raise up to approximately \$5.0m to enable retail shareholder participation at the same issue price as the placement
- Issue price of \$2.55 per new share represents a:
  - 14.1% discount to the last close price of \$2.97 on 6 May 2013
  - 5.0% discount to the 5 day volume weighted average price of \$2.68
- New shares will rank equally with existing SGH shares
- Funds raised will be used to fund the three identified acquisitions in the UK and provide financial flexibility to pursue a broad spectrum of further accelerated growth opportunities

## Impact of Capital Raising



Following the Offer, based on the pro-forma 31 December 2012 balance sheet, gearing (net bank debt to equity) is expected to decrease to 13.5%, before acquisitions

\$M	31 December 2012	Placement	SPP	Pro-forma for Placement and SPP
Borrowings	107.1			107.1
Cash and cash equivalents	1.4	57.1 <sup>1</sup>	$5.0^{2}$	63.5
Net debt	105.7			43.6
Total equity	260.4	57.1 <sup>1</sup>	$5.0^{2}$	322.5
Net Debt/Equity	40.6%			13.5%

<sup>1.</sup> Proceeds from equity raising net of capital raising costs

<sup>2.</sup> Estimated net proceeds of SPP raising

## Capital Raising Timetable



Placement	
Trading halt	6 May 2013
Bookbuild opens	10.00am, 7 May 2013
Bookbuild closes	4.30pm, 7 May 2013
Trading halt lifted and shares recommence trading	8 May 2013
Settlement of new shares issued under Placement	13 May 2013
Allotment and listing of new shares issued under Placement	14 May 2013

SPP	
Record Date for determining eligibility to participate in SPP	7pm, 6 May 2013
SPP opens	20 May 2013
SPP closes	12 June 2013
Normal settlement of new shares issued under the SPP	17 June 2013
Allotment new shares issued under the SPP	18 June 2013

### Risk Factors



This section discusses some of the key risks attaching to an investment in S&G, which may affect the future operating and financial performance of S&G and the value of S&G shares. Before investing in S&G, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on S&G, carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision. Additional risks and uncertainties that S&G is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect S&G's operating and financial performance.

#### Completion risk

Term sheets have been signed with the three identified personal legal services firms in the UK, however completion is subject to due diligence and the signing of legally binding acquisition agreements. There is a risk that the transactions, or any one of them may not complete due to a failure to satisfy conditions precedent. Where a transaction is not completed, S&G intends to use the proceeds raised under the capital raising for other potential growth opportunities in the UK or for general corporate purposes.

#### Due diligence risk

The completion of the identified transactions is subject to the completion of due diligence to S&G's satisfaction. In doing so S&G is reliant on information provided to it by the vendors and is unable to verify the accuracy or completeness of the information provided to it. Further, S&G has been provided with unaudited financial information in relation to the identified firms which has been reviewed by S&G in the course of the due diligence process, but has not been independently audited to reflect the different accounting policies of S&G and the accounting practices of the identified firms. Consequently, S&G cannot be certain that all material issues and risks associated with the transactions have been identified and avoided or managed appropriately. Further, there is the risk that S&G later discovers liabilities or defects which were not identified through due diligence or for which there is no protection for S&G (in the form of insurance, warranties, representations or indemnities). This could adversely affect the operations, financial performance or position of the acquisitions. Further, the information reviewed by S&G includes forward looking information. While S&G have been able to review some of the foundations for the forward looking information relating to the identified firms, forward looking information is inherently unreliable and based on assumptions that may change in the future.

#### Integration risk

There is a risk that the integration of the identified firms (or any other acquired business) is delayed and that the relevant transaction does not deliver the expected at the time the transaction was agreed (or delivers benefits to a lesser extent than expected). A failure to fully integrate the operations of the identified firms (or any other acquired business), or a delay in the integration process, could impose unexpected costs that may adversely affect the financial performance or position of S&G.

#### Government actions and legal developments

S&G operates in a highly regulated environment. S&G's business operations could be adversely affected by changes in UK or Australian State, Territory and Commonwealth governments and changes in government legislation, guidelines and regulations. Additionally, it is a requirement that a person who is disqualified from practice as a lawyer may not have any financial interest in an Incorporated Legal Practice. There are certain safeguards built into S&G's Constitution to assist S&G to comply with this requirement.

### Risk Factors



#### Reputation risk

If S&G does not meet a client's expectations or if it is involved in litigation relating to its performance in a particular matter, the reputation of S&G could be significantly damaged. The reputation of S&G could also be damaged through S&G's involvement (as an adviser or as a litigant) in high profile or unpopular legal proceedings.

#### Personnel

As a service provider, S&G is heavily reliant on its ability to attract new key personnel and retain existing key personnel. The market for high quality lawyers is very competitive, and S&G may experience difficulty in hiring employees with appropriate qualifications and experience. Further, S&G relies heavily on existing key personnel to maintain business and client relationships. If S&G is unable to attract, retain and motivate these key employees, S&G's profitability could be harmed.

#### Competition

S&G competes with other legal firms that also offer personal injury and other legal services. S&G competes on the basis of a number of factors, including the quality of advice and service, innovation, reputation and price. However, there is no assurance that competitors will not succeed in developing and offering legal services that are more effective, economic or otherwise more desirable than those being offered by S&G.

#### Liquidity

There can be no guarantee of an active market in the shares in S&G or that the price of the shares in S&G will increase. There may be relatively few potential buyers or sellers of S&G shares on the ASX at any time. This may increase the volatility of the market price of S&G shares. It may also affect the prevailing market price at which shareholders are able to sell their shares in S&G.

#### Operational risk

While S&G has operational risk management practices, its profitability will continue to be subject to a variety of operational risks including strategic and business decisions (including acquisitions), technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, client default risk, key person risk and external events. A further operational risk is that a client or clients may terminate the services of S&G at any time, for any reason.

#### Economic risks

General economic conditions may negatively affect S&G's performance and the performance of S&G shares. Any protracted slow down in economic conditions or factors such as movements in inflation or interest rates and industrial disruption may have a negative impact on S&G's costs and revenue. These changes could adversely affect S&G's operations and earnings, and impact on S&G's share price.

### Risk Factors



#### Market conditions

Investors should be aware that there are risks associated with any investment in a company listed on the ASX. The market value of S&G will fluctuate depending on the price at which S&G shares are traded on the ASX, and may rise above or below the current S&G share price depending on:

- > the financial and operating performance of S&G; and
- > external factors over which S&G and its directors have no control.

These external factors (which are unpredictable and may be unrelated or disproportionate to the performance of S&G) include:

- > economic conditions in Australia and overseas which may have a negative impact on equity capital markets;
- > changing sentiment in the local and international stock markets;
- > changes in domestic or international fiscal, monetary, regulatory and other government policies;
- developments and general conditions in the various markets in which S&G operates (and proposes to operate); and
- which may impact on the future value and pricing of shares.

#### Intellectual Property Rights and Brand Name

S&G regards its brand name, trademarks, domain names, trade secrets and similar intellectual property as important to its success. S&G's business has been developed with a strong emphasis on branding. Should the brand name of S&G be damaged in any way or lose market appeal, S&G's business could be adversely impacted. While S&G will use all reasonable endeavours to protect its intellectual property rights, unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of S&G.

#### Conflict of duties

Lawyers have a primary duty to the courts and a secondary duty to their clients. These duties are paramount given the nature of S&G's business as an Incorporated Legal Practice. There could be circumstances in which the lawyers of S&G are required to act in accordance with these duties and against the interest of S&G shareholders and the short-term profitability of S&G.

#### Employee misconduct

S&G is exposed to the risk of employees engaging in misconduct, including by improperly using or disclosing confidential client information. Employee misconduct could result in considerable harm to S&G's reputation, as well as regulatory sanctions and financial damage. A legal practitioner director may be disqualified from practice by the regulator of legal practitioners in the State or Territory in which he or she practises which would prevent him or her continuing as a director of S&G.

### Risk Factors



#### Information systems

S&G is exposed to the risk of catastrophic loss to computer equipment or other facilities that would have a serious impact on S&G's operations. Some of S&G's growth plans are based on its ability to apply its existing infrastructure (including information technology systems) across a growing business. S&G can give no assurance that all such risks will be adequately covered by its existing systems or its insurance policies to prevent an adverse effect on S&G's financial performance.

#### Professional liability and uninsured risks

S&G provides legal advice. Therefore, like any law firm, it is susceptible to potential liability from negligence, breach of client contract and other claims by clients such as claims under consumer protection legislation. As well as the risk of financial damage, such claims also carry a risk of damage to S&G's reputation. Although S&G holds professional liability insurance, this insurance may not cover all potential claims or may not be adequate to indemnify S&G for all liability that may be incurred (or loss which may be suffered). Any liability or legal defence expenses that are not covered by insurance or that are in excess of S&G's insurance coverage could have a material adverse effect on S&G's business and financial condition.

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## Foreign Selling Restrictions (cont.)



#### Canada (British Columbia, Ontario and Quebec provinces) (cont.)

Statutory rights of action for damages or rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a 'Canadian financial institution' or a 'Schedule III bank' (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the New Shares as any discussion of taxation related maters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of these securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

## Appendix 1 – Why Invest?





Continued strong financial performance since listing



Australian PI business continues to deliver predictable revenue and earnings growth



Cash flow from operations to improve with changing business mix. PI disbursement funding and class action litigation funding



UK business performing well excellent future growth platform in market 4-5 times that of Australia



S&G brands in Australian non-PI markets still largely untapped, with progress being made



Proven capability of strengthening our powerful brands

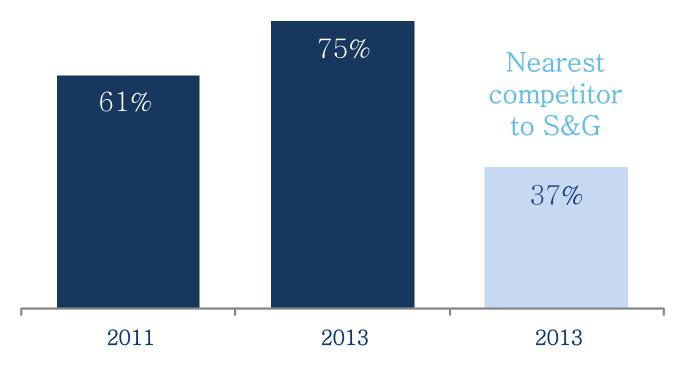
"Our business is in good shape, we have strong prospects for further profitable growth and we have the resources and the people to be able to deliver it." Andrew Grech Managing Director

### Appendix 2 – Australia's Best Known Law Firm



National Brand awareness survey<sup>1</sup>



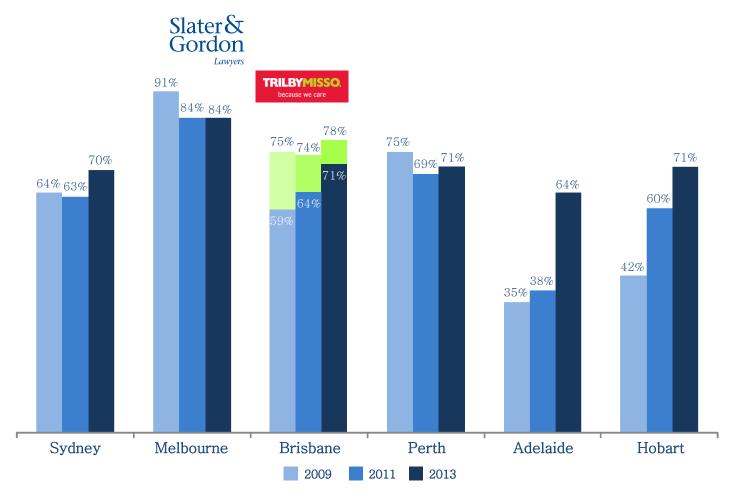


1. Brand awareness study undertaken November 2011 and January 2013 by TNS

## Appendix 3 – Australia's Leading Consumer Law Firm



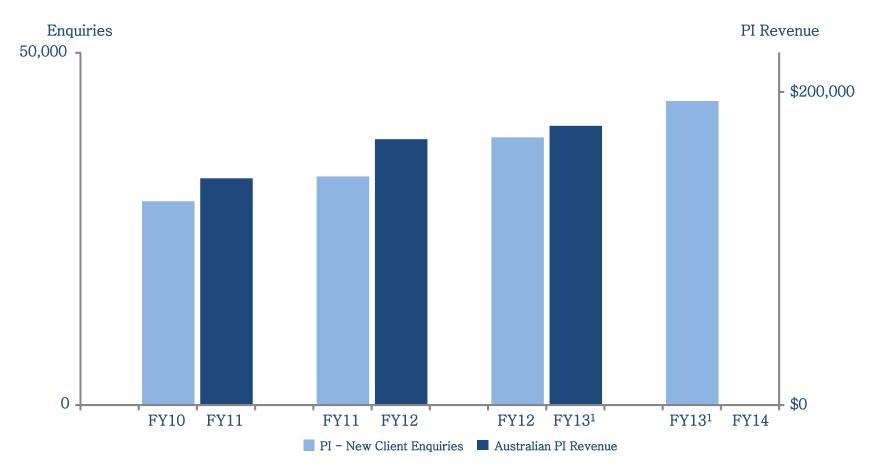
#### Brand awareness survey<sup>1</sup>



1. Brand awareness study undertaken in 2009, 2011 and 2013 by TNS

## Appendix 4 - Relationship of Enquiries to Revenue





1. Annualised H1FY13 data