

# **SHINE CORPORATE LTD**

## **2015 Full Year Annual Results**

**28 August 2015**

Simon Morrison – Managing Director  
Courtney Petersen – CEO Shine Lawyers  
Daniel Wilkie – Chief Financial Officer

## AGENDA

- Introduction & executive appointments
- Key highlights and revenue
- Financial results
- Revenue & EBITDA bridge
- Operating cash flow
- Balance sheet
- Operating performance by area
- Business transformation
- Acquisition strategy
- Reform update
- FY16 priorities & guidance

## EXECUTIVE APPOINTMENTS

- Key executive management appointments during FY15:
  - CEO Courtney Petersen
    - Qualified lawyer and proven leader
    - Wealth of management and strategic experience
    - Held key senior roles in Telstra, Tabcorp, Queensland Rail and more recently Aurizon
    - Known for collaborative leadership style, delivering transformational change and building high performance teams
  - CFO Daniel Wilkie
    - Chartered Accountant with over 35 years' experience
    - Held CFO roles at Suncorp and NRMA Insurance
    - Expertise in corporate finance, commercial management, mergers and acquisitions, and driving performance improvement

## KEY HIGHLIGHTS

### Strategy

- Continued focus on inch-wide, mile-deep growth in plaintiff-based litigation
- Continued diversification of geographic spread of core PI business and enhancement of capability across emerging practice areas
- Measured approach to acquisitions – consistent with strategy, manageable and value accretive from day 1

### Results

- Strong result in challenging year for core PI business with changes to QLD workcover and aggressive marketing by competitors
- Group statutory revenue of \$150.9M, up 30.4% on prior year
- Statutory EBITDA of \$44.0M, up 28.7% on prior year, in line with guidance
- Statutory NPAT of \$29.6M, up 33.3% on prior year
- EPS of 17.2c, up 20.3% on prior year

### Operating ratios

- Group EBITDA Margin of 29.3% in line with previous year
- Emerging practice areas revenue growth of 90.8% to \$33.7M
- Gross operating cash flow of \$13.0M, 43.8% of NPAT
- Normalised net operating cash flow of \$11.5M, 37.6% of normalised NPAT<sup>1</sup>

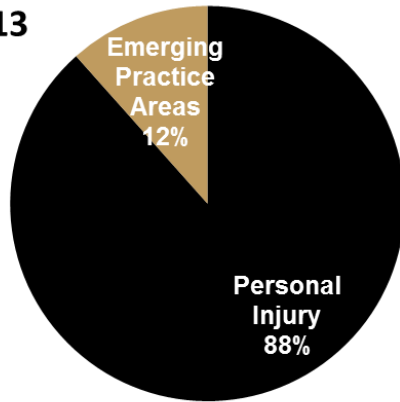
### Dividends

- Final dividend of 1.75cps, unfranked
- Total dividend of 3.75cps, unfranked
- Payout ratio 21.8%

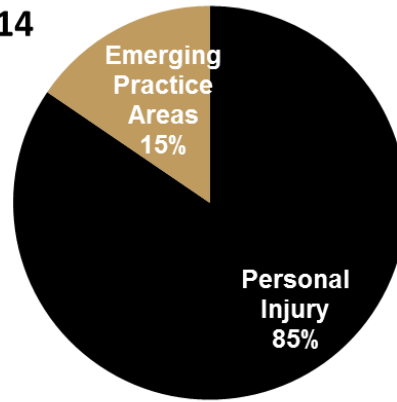
<sup>1</sup> Normalised NPAT is statutory NPAT plus acquisition costs of \$1.4M and normalised NOCF is after adding back tax payments of \$1,116,000 refunded in July '16 following the successful ATO tax ruling.

## REVENUE DIVERSIFICATION

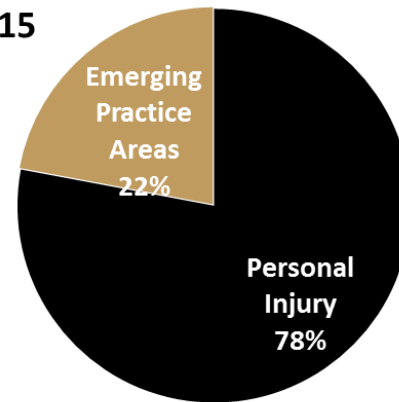
**FY13**



**FY14**

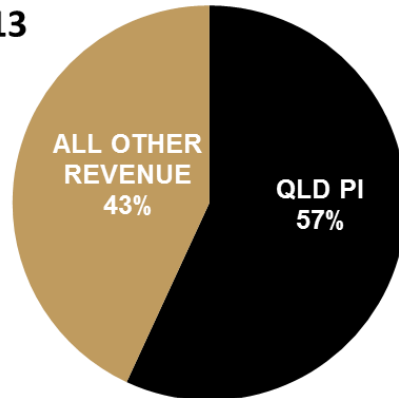


**FY15**

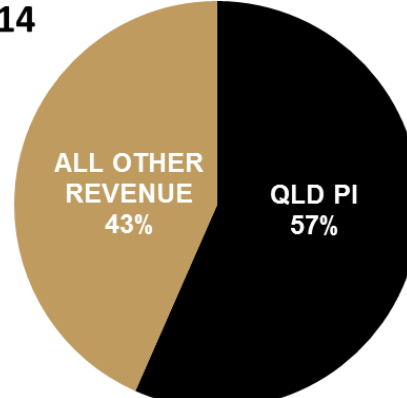


Emerging practice areas have increased to 22% of total group revenue while the group now derives over half its revenue from outside its core QLD PI base.

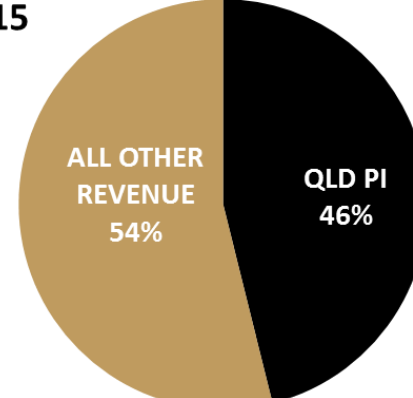
**FY13**



**FY14**



**FY15**



## FINANCIAL RESULTS

Measure	FY15	FY14	% change to PCP
Revenue <sup>1</sup>	\$150.6m	\$115.5m	↑ 30.4%
Statutory EBITDA	\$44.0m	\$34.2m	↑ 28.7%
Normalised EBITDA <sup>2</sup>	\$45.4m	\$34.2m	↑ 32.7%
Normalised EBITDA margin <sup>2</sup>	30.1%	29.6%	↑
Normalised NPAT <sup>3</sup>	\$30.6m	\$22.2m	↑ 37.8%
Normalised Net Operating Cash Flow <sup>4</sup>	\$11.5m	\$11.4m	↑ 0.9%
Dividend <sup>5</sup>	3.75 cents	3.5 cents	↑ 7.1%
EPS	17.2 cents	14.3 cents	↑ 20.3%

<sup>1</sup> Revenue excludes Interest Revenue

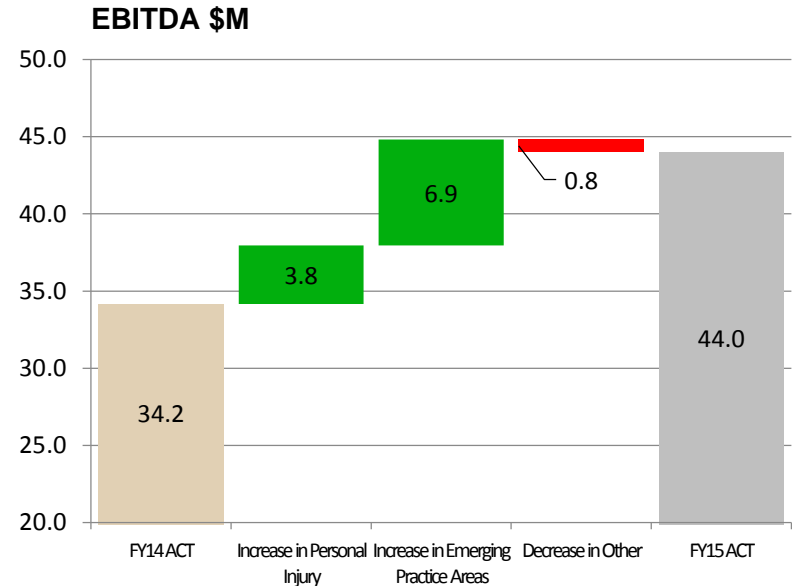
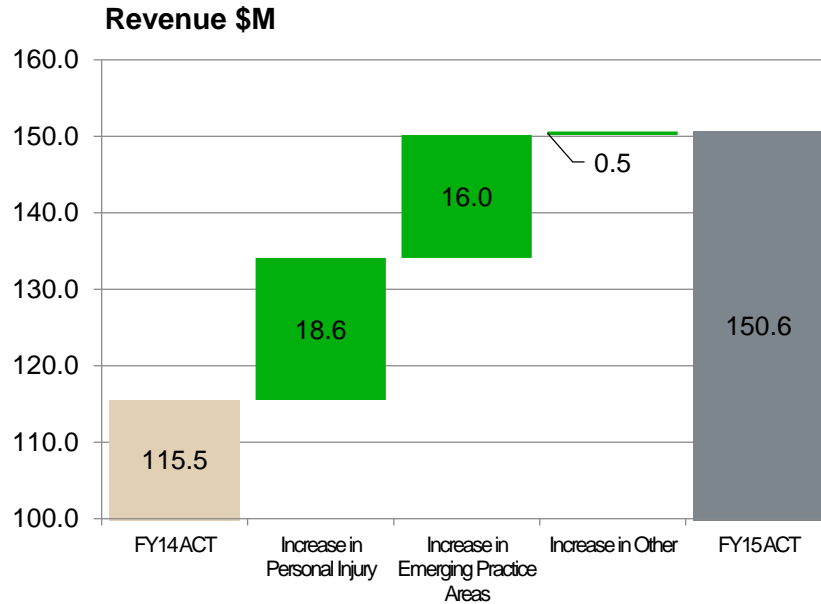
<sup>2</sup> Normalised EBITDA is after adjusting Statutory EBITDA for Acquisition Costs of \$1,399,890

<sup>3</sup> Normalised NPAT is after adjusting for Acquisition Costs (after tax) of \$980,000

<sup>4</sup> Normalised net operating cash flow is after adjusting for tax paid in FY15 refunded in July '16 as a result of the successful ATO private ruling

<sup>5</sup> Full year FY15 dividend of 3.75 cents (1.75 cents final dividend and 2.00 cents interim dividend), compares to the FY14 full year dividend of 3.50 cents

## REVENUE AND EBITDA BRIDGE



- Strong growth in revenue and earnings for Personal Injury and Emerging Practice Areas
- Strong contributions to growth and earnings from new subsidiaries
- Revenue recognition policy unchanged from prior years and compliant with accounting standards

## OPERATING CASH FLOW

- Gross operating cash flow for FY15 was \$13.0M (2014: \$10.5M)
- Normalised net operating cash flow<sup>2</sup> was \$11.5M (2014: \$11.4M) – 37.6% of normalised NPAT<sup>1</sup>
- Net WIP grew by 39.3% or \$53.7M to \$190.7M in FY15
- Typical PI cases involve an 18 month timeframe while EPA cases can be as long as three to five years
- Growth in PI caseload and higher relative growth in EPA will require more working capital to support longer case timeframes
- Facilities in place to support liquidity (\$5.5M) and acquisitions (\$10.6M) as at 27 August 2015
- Management focus in FY16 will be to improve file velocity and disbursement funding which will directly flow through to increased operating cash flows

<sup>1</sup> Normalised NPAT is after adjusting for Acquisition Costs (after tax) of \$980,000

<sup>2</sup> Normalised Net operating cash flow is after adjusting for tax paid in FY15 refunded in FY16 as a result of the successful ATO private ruling



## BALANCE SHEET

As at (\$M)	30 Jun 15	30 Jun 14
Cash and receivables	29.9	20.1
WIP and disbursements	239.3	172.0
PP&E and intangibles	46.2	13.5
Other assets	0.7	1.2
<b>Total Assets</b>	<b>316.1</b>	<b>206.8</b>
Trade payables	26.8	16.4
Borrowings	21.7	17.3
Other financial liabilities	26.2	-
Current and deferred tax liabilities	56.5	46.3
Provisions	8.7	6.9
<b>Total liabilities</b>	<b>139.9</b>	<b>86.9</b>
<b>Net assets</b>	<b>176.2</b>	<b>119.9</b>

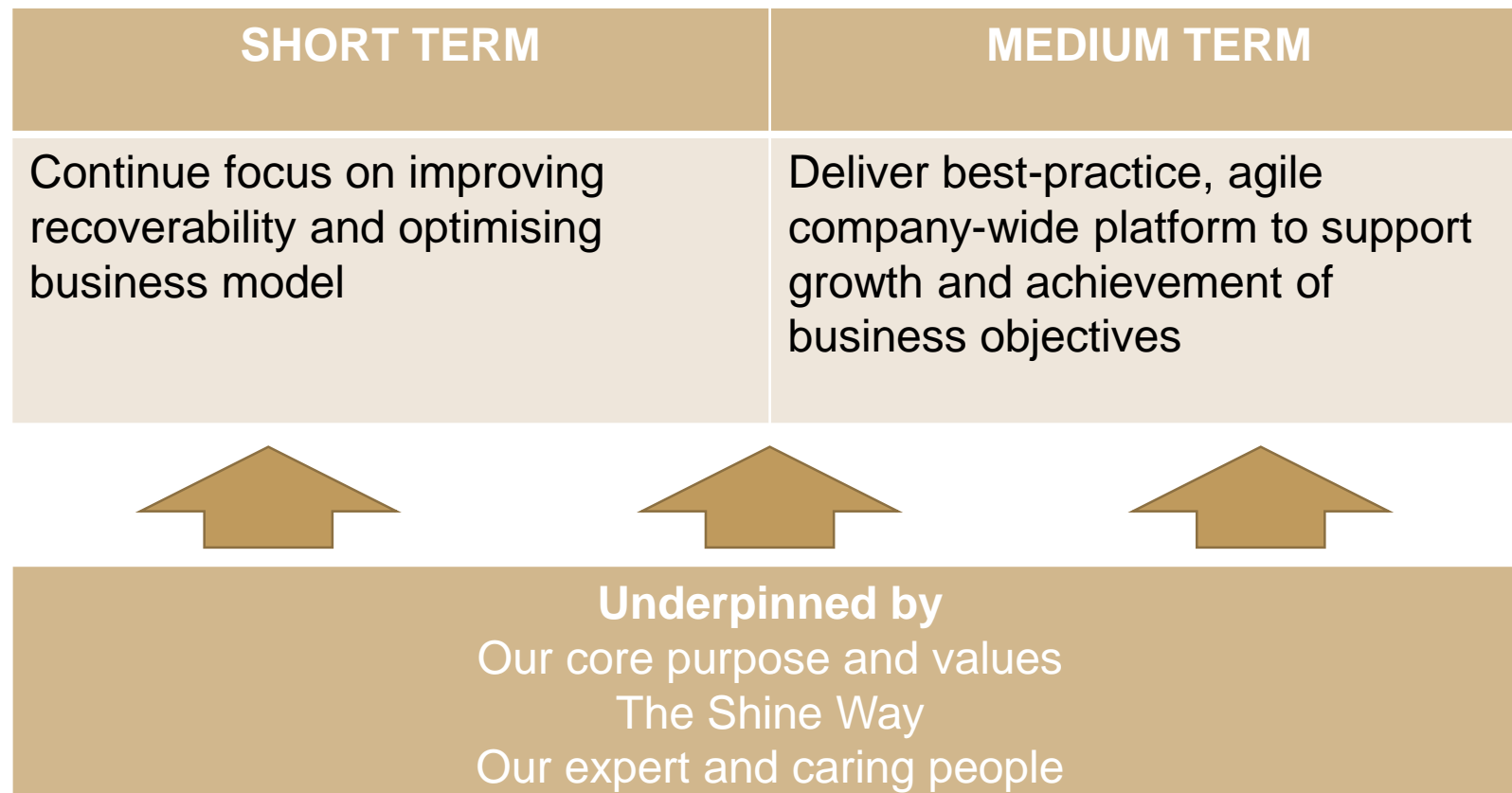
### Strong balance sheet:

- Net WIP and disbursements increased by \$67.3M reflecting both organic growth (\$36.0M) and acquisitions during the year (\$31.3M at 30 Jun)
- Trade and other payables includes disbursement creditors of \$16.7M in FY15 and \$10.3M in FY14. These amounts are only payable to third party suppliers upon success of the respective cases
- Other financial liabilities represent deferred and contingent consideration payable to vendors over a period of between one and three years. It is anticipated that these amounts will be financed
- Large deferred tax liability relates primarily to WIP
- Low gearing ratio of 7%

## OPERATING PERFORMANCE BY AREA

<b>Personal Injury</b> <ul style="list-style-type: none"> <li>➤ Revenue \$116.4M</li> <li>➤ EBITDA \$32.7M</li> <li>➤ EBITDA Margin 28.1%</li> </ul>	<b>Emerging Practice Areas</b> <ul style="list-style-type: none"> <li>➤ Revenue \$33.7M</li> <li>➤ EBITDA \$11.2M</li> <li>➤ EBITDA Margin 33.2%</li> </ul>
<ul style="list-style-type: none"> <li>• Strong performance for the year</li> <li>• Three new branches opened in NSW and Victoria</li> <li>• Broadened footprint in QLD and WA</li> </ul>	<ul style="list-style-type: none"> <li>• Strong performance whilst continuing to deliver on our strategy of diversification of the portfolio</li> </ul>
<ul style="list-style-type: none"> <li>• Challenging external environment               <ul style="list-style-type: none"> <li>- Intensely competitive market with aggressive advertising spend by competitors – impacts pipeline of new cases</li> <li>- Tort Reform - change to QLD workcover legislation with impact previously estimated of \$2.50M NPAT</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Widened geographic footprint</li> <li>• Added Insolvency practice area</li> <li>• Significant high-profile High Court win on asbestos-related matter</li> </ul>
<ul style="list-style-type: none"> <li>• Strong contribution from Stephen Browne to the Group result</li> </ul>	<ul style="list-style-type: none"> <li>• Strong contribution from Emanate practice to the Group result</li> </ul>

## BUSINESS TRANSFORMATION UNDERWAY



## ACQUISITION STRATEGY

- Acquisition of Bradley Bayly effective 1 June 2015 (completed 14 August 2015) significantly strengthens presence in WA
- Increasing diversity of practice areas and revenue sources
- More prospects in the pipeline
- Continue to focus on damages-based loss recovery – ‘Inch wide, mile deep’ strategy:
  - Widen geographic footprint
  - Continue to grow Emerging Practice Areas
  - Take advantage of scalable model and systems
- Paid for via combination of cash, debt and scrip – while mitigating risk with earn-outs and deferred consideration
- File purchases also continue with distribution through existing network (\$0.6M in FY15)

## REFORM UPDATE

### **Workcover Queensland**

- Legislation to overturn previous changes has been introduced to Parliament
- Passing of legislation would have a positive impact on NPAT in FY16
- Change in legislation is expected to be retrospectively effective 1<sup>st</sup> February 2015

## FY16 PRIORITIES AND GUIDANCE

- Internal focus on improving recoverability
- Anticipate more growth through acquisitions
- Improvement in operating cash flows through disbursement funding
- Continued rollout of transformation project
- EBITDA guidance – \$52.0M to \$56.0M

**QUESTIONS?**

**FOR MORE INFORMATION PLEASE VISIT:  
[WWW.SHINE.COM.AU](http://WWW.SHINE.COM.AU)**

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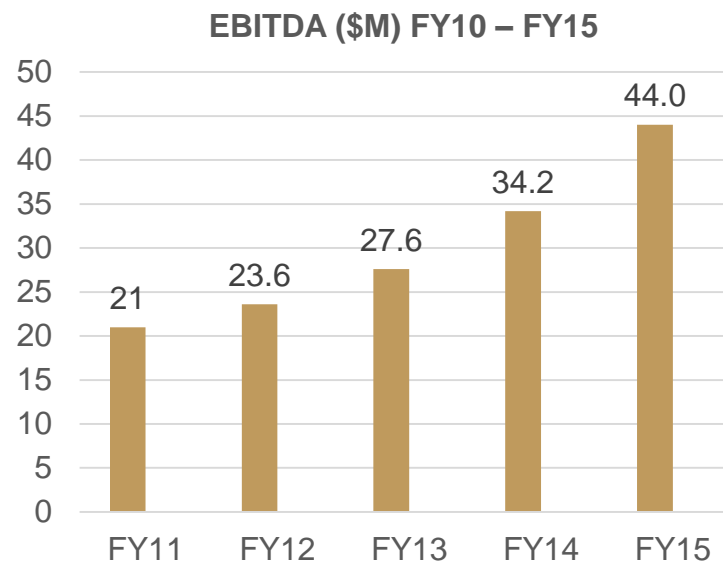
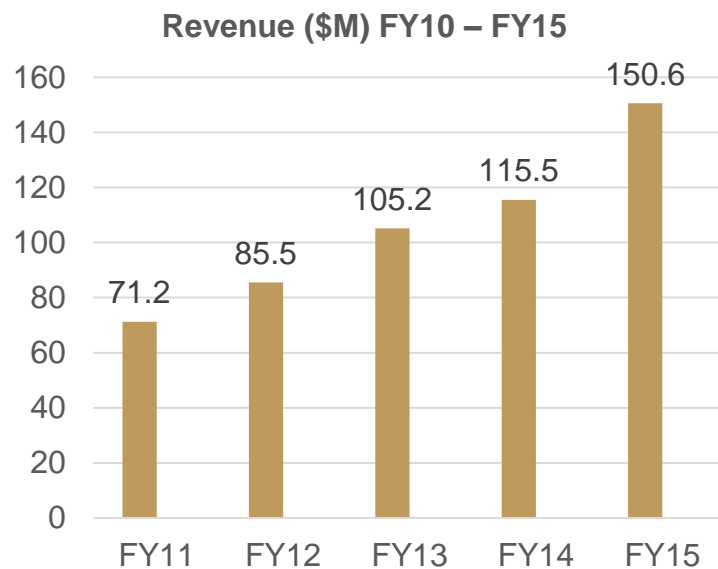
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# SUPPORTING INFORMATION

## FIVE YEAR FINANCIAL METRICS

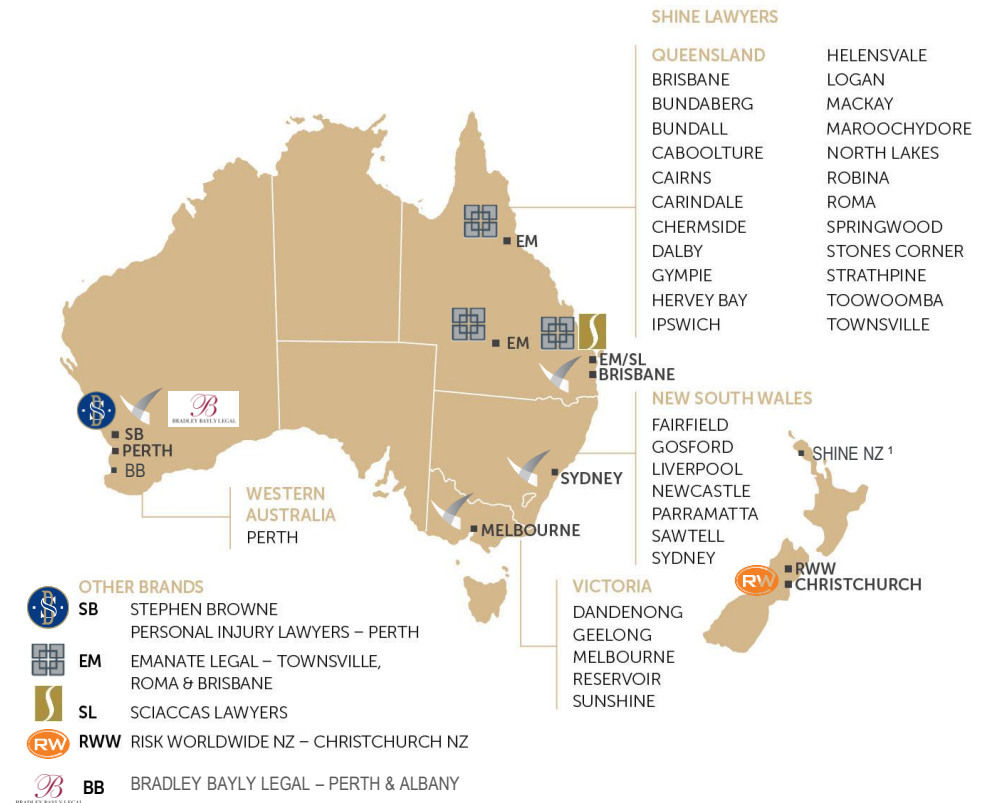


The figures for FY10, FY11 and FY12 shown in the graphs comprise the Company, Shine Partnership and the Service Trust as if they had operated as one entity, as detailed in Shine Corporate Ltd's Prospectus of 28 March 2013. FY13, FY14 & FY15 Revenue excludes Interest Revenue.

# SHINE CORPORATE

## Group Holding Company

- 5 law firms and other interests
- Ongoing growth – organic and
- Diversification into emerging litigation
- Continued clear vision and systems to grow



<sup>1</sup> Member of the Shine Lawyers International Alliance (SLIA)

## SHINE SUBSIDIARIES



- Values driven business – “Right Wrong”
- National operation
- Top three plaintiff litigation firm founded in 1976
- Customised case selection and case management processes

## ACQUISITIONS

 	<p><b>Emanate Legal and Stephen Browne Personal Injury Lawyers</b></p> <ul style="list-style-type: none"> <li>• Acquisitions announced in June 2014</li> <li>• Completed in July 2014</li> <li>• Capital raising of \$29.5M via a 1 for 10 entitlement offer completed in July 2014</li> <li>• Contributing to earnings and cash flow from 1 July 2014</li> </ul>
	<p><b>Sciaccas Lawyers</b></p> <ul style="list-style-type: none"> <li>• Acquisition announced and completed in October 2014</li> <li>• Contribution to earnings from 1 July 2014</li> <li>• Complements Shine Corporate's existing personal injury businesses</li> <li>• Consistent with Shine Corporate's existing "inch wide, mile deep" focus on damages based loss recovery</li> </ul>
	<p><b>Bradley Bayly Legal</b></p> <ul style="list-style-type: none"> <li>• Acquisition announced and completed in August 2015</li> <li>• Contribution to earnings from 1 June 2015</li> <li>• Strengthens Shine's PI presence in WA</li> </ul>

## OTHER INTERESTS



- RWWNZ - NZ joint venture specialising in disaster recovery claims



- Partnership with Erin Brockovich in the United States managing enquiries and assisting claimants seeking legal remedy where appropriate

## PRACTICE AREAS

**Personal  
Injury  
Litigation**

### KEY PRACTICE AREAS

**Workers' compensation  
Motor vehicle accidents  
Medical negligence  
Public liability**

**Emerging  
Practice  
Litigation**

**Product liability  
Professional negligence  
Environmental  
Disability insurance & superannuation  
Class actions  
First party insurance  
Landowners' rights  
Aviation  
Asbestos  
Human rights  
Insolvency**

# KEY ACCOUNTING POLICIES

## Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### *Rendering of services*

Revenue from the provision of legal services is recognised on an accrual basis in the year in which the legal service is provided and is calculated with reference to the professional staff hours incurred on each matter and on the basis that the stage of completion can be reliably measured. Stage of completion is measured by reference to the time incurred to date as a percentage of the expected time for an outcome to be achieved.

## Work in Progress

Work in progress represents costs incurred and profit recognised on client cases that are in progress and have not yet been invoiced at the end of the reporting date. The recoverability of these amounts is assessed by management and any amounts in excess of the net recoverable value are provided for when identified. Historical experience and knowledge of the client cases has been used to determine the net realisable value of work in progress at balance date and also the classification between current and non current.

## Disbursements

Disbursements represent costs incurred during the course of a matter that are recovered from clients. A provision for non recoverable disbursements is recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. The provision is established based on the Group's history of amounts not recovered over previous years.

## Control over Bradley Bayly Holdings Pty Ltd

Effective from 1 June 2015, the Group acquired 25% of the voting shares of the existing law practices of Bradley Bayly Holdings Pty Ltd. However, due to the nature of the contractual arrangement with the vendors, including the voting rights obtained and existence of a call option exercisable within two months for the remaining 75% interest, the Directors determined that Bradley Bayly was a 100% controlled entity effective 1 June 2015. The call option was exercised on 31 July 2015 with the remaining consideration paid on that date. Consequently, the results and balance sheet of the acquired entity have been included in full in these consolidated financial statements with a liability recognised for the consideration payable on the remaining interest.