SHINE CORPORATE LTD

FY16 Half Year Results

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MANAGING DIRECTOR, CEO, CFO

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Always stand up for the little guy.

Half Year in Review
Simon Morrison, Managing Director

Half year overview

Issue		Detail
Financial Results	Revenue	**$64.0m** ($78.5m excluding provision change)
	EBITDA	**$2.1m (**$19.6m excluding provision change)
	NPAT	**$1.3m (**$13.6m excluding provision change)
	Gross Operating Cash Flow (**GOCF**)	**$3.6m**[1] (1H2015: $3.3m)
Diversification	Acquisition of Best Wilson Buckley Family Law Pty Ltd (BWB)	
Banking Facilities	New facility executed with total value of $88m providing additional capacity to support growth	
Transformation	Marketing	New strategic marketing plan and campaign
	Business Model	Enhanced accountability at branch level
	IT	Continuing scoping and process mapping
	Disbursement Funding	Program Accelerating

1. GOCF means net cash provided by operating activities $3.2m plus finance costs $1.1m less interest received $0.1m less income tax received $0.6m = $3.6m

Half Year Results Analysis

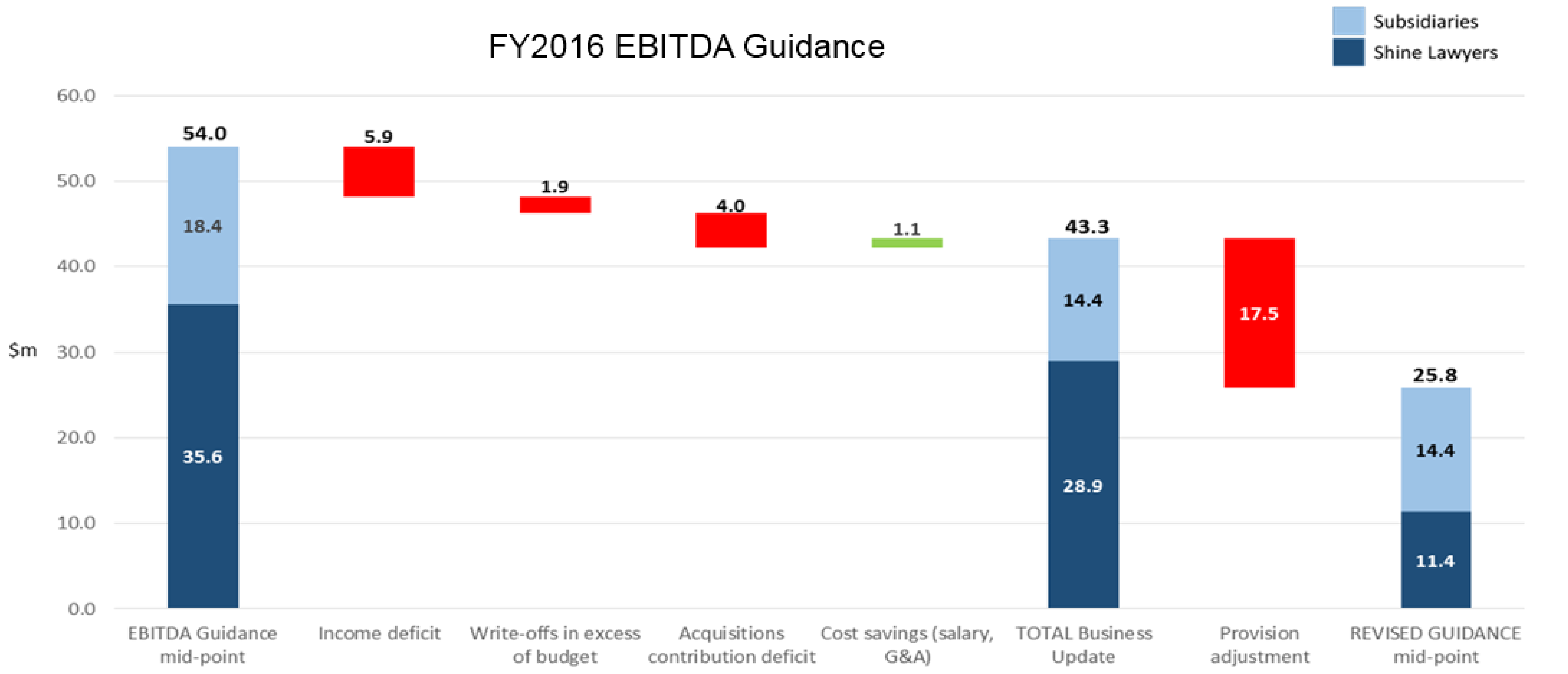
Daniel Wilkie, Chief Financial Officer

Financial results

Measure	31 Dec 15	31 Dec 14	$ change to PCP[1]	% change to PCP
Statutory Revenue	**$64.0m**	**$73.2m**	**($9.2m)**	**↓ 12.6%**
Revenue (excluding provision change)	$78.5m	$73.2m	$5.3m	↑7.2%
Statutory EBITDA	**$2.1m**	**$20.7m**	**($18.6m)**	**↓ 89.9%**
EBITDA (excluding provision change)	$19.6m	$20.7m	($1.1m)	↓5.3%
Statutory net profit after tax	$1.3m	$13.3m	($12.0m)	↓ 90.2%
Gross operating cash flow	$3.6m	$3.3m	$0.3m	↑ 9.1%
Dividend (cents per share)	-	2.0	(2.0)	↓ 100%
EPS (cents per share)	0.77	7.73	(6.96)	↓ 90.0%

1. PCP means prior corresponding period

Revised Guidance



EBITDA Guidance range $24m - $28m

Balance sheet

As at ($m)	31 Dec 2015	30 Jun 2015
Cash and receivables	27.1	29.9
Work in progress	192.6	190.7
Unbilled disbursements	52.3	48.6
PP&E and intangibles	52.1	46.2
Other assets	1.1	0.7
Total assets	325.1	316.1
Trade payables	7.8	10.1
Disbursement creditors	18.9	16.7
Borrowings	41.5	21.7
Other financial liabilities	15.8	26.2
Current and deferred tax liabilities	54.6	56.5
Provisions	10.2	8.7
Total liabilities	148.8	139.9
Net assets / Equity	176.3	176.2

Cash on hand at 31 Dec is $9.3m (FY2015: $9.4m)

Trade receivables reduced by $2.7m (13.2%)

Gross WIP up $16.6m (7%) ($0.4m from BWB) offset by increase in WIP provisions of $14.4m

Unbilled disbursements up by $5.9m (11.7%) largely offset by increase in provisions and disbursement creditors

Increase in PP&E and intangibles attributable to goodwill on acquisition of BWB

Borrowings up $19.8m as a result of funding the acquisition of BWB ($3.7m) and payment of deferred consideration and FY15 earn-outs on previous acquisitions

Other financial liabilities decreased as deferred consideration and earn-out payments were made to vendors

Net debt ratio increased from 7% to 18.3%

Borrowings and net debt

Measure	
Net debt at 30 Jun 2015	$12.3m
Acquisition of Bradley Bayly	$6.2m
Acquisition of Best Wilson Buckley Family Law	$3.4m
FY15 Earn-out payments	$3.1m
Deferred consideration	$3.2m
Changes in working capital funding (working capital loan, overdraft, lines of credit, leases, cash balance etc.)	$4.0m
Net debt at 31 Dec 15	$32.2m
Equity	$176.3m
Net debt ratio at 31 Dec 15 (adjusted for tax)	18.3%
Borrowings up from $21.7m to $41.5m due to payment of deferred consideration, vendor earn-outs and BWB acquisition	

Balance sheet gearing remains low

Cash Flow

- Revenue is recognised over time as legal services are delivered
- There is a lag between recognition of income and receipt of cash (fees billed on completion for successful cases)
- Cash flows through the business in cycles
- Cash is required to fund growth in productivity (via additional fee earner salaries) and disbursements
- Growth in disbursement funding will have an increasingly significant impact on operating cash flow
- The increased provisioning rate means 75%[1] of productivity booked is expected to convert to cash in the future
- Class actions have a material impact on revenue and operating cash flow
  - Shine must carry the cost of legal work and disbursements until the lead case is resolved
  - Increasing use of litigation funding and disbursement funding to reduce cash flow impact
- We expect operating cash flow to be approximately 40% of EBITDA, dependent on growth
  - Lower growth would result in higher cash conversion and vice-versa

1. For Shine Lawyers Pty Ltd

Banking facilities

Facility	Limit $m	Drawn $m
Market rate loans (3,4,5yrs)	27.0	27.0
Working capital loan (2yrs)	11.0	11.0
Group limit facility	10.0	-
Acquisition facility	10.0	-
File purchase facility	5.0	-
Equipment lease facility	10.0	6.2
Transformation IT project development funding	10.0	0.8
Corporate card facility	0.85	-
Bank guarantee facility	4.0	3.8
Total facilities *	$87.85m	$48.8m

Expected drawn amounts subject to repayment of existing facilities at date of draw down inclusive of interest.

New facility agreements executed with CBA on 22 Feb 2016

Key terms

- Three $9m market rate loans of variable tenors due 31 Dec 2018, 2019 and 2020 replacing current facility
- Working capital facility of $11m repayable in 2 years
- Enhanced liquidity with new Group limit facility of $10m, acquisition funding facility of $10m and file purchase facility of $5m

Key covenants

- Gearing ratio[1] must not exceed 60%
- Debt to EBITDA ratio of 2.25 times

1. Gearing ratio means “Drawn bank debt to Net WIP”

Transformation

Courtney Petersen, CEO

Transformation – Key Initiatives

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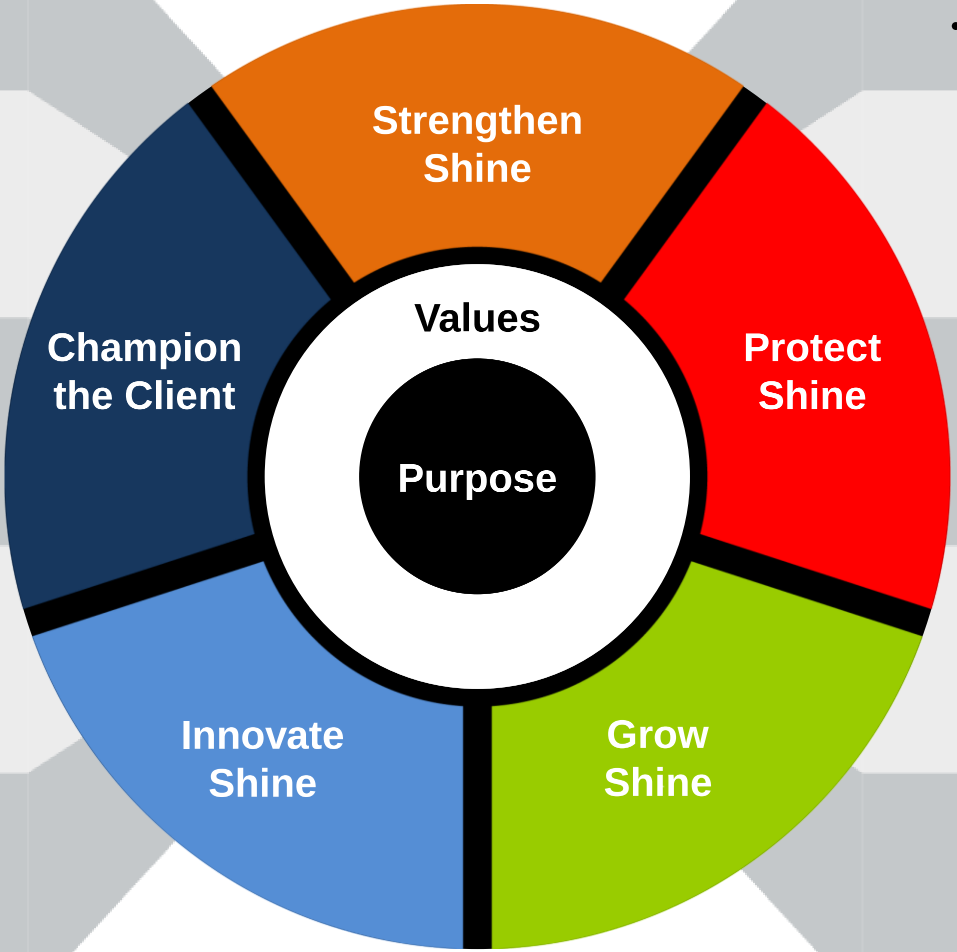
PROGRAMS

Program	Initiatives
Leadership & Accountability	• Business Intelligence • Total Rewards Model • High-performing Culture
Sustainable Results	• Recoverability • Velocity Management • Organisational Structure & Capability • Business Planning Process
Marketing & Brand	• Brand Architecture • Refresh Marketing Strategy • New Campaigns
Engine Room	• IT Strategy & Roadmap • Systems Implementation • Business Process Reengineering
Mergers & Acquisitions	• Repeatable Business Model for M&A • Integration Strategy



Transformation – Key Initiatives (cont.)

Revenue generation
- Marketing strategy developed and campaign rolling out
- Continuing to leverage strength of brand ambassador, Erin Brockovich
- Brand enhanced by landmark High Court win
    - highest PI damages award by a Court in Queensland's history

Focus on resource management
- Talent management planning to ensure high performer retention
- Optimising fee earner to file ratios across our branches
- Improved performance management to drive right behaviours and accountability
- Improved recruitment practices and staff selection

Focus on system and processes
- IT project under review as business improvement initiatives increase momentum
- Leveraging process improvement opportunities and ensuring technology investment is fit-for-purpose
- Case selection processes under continual refinement

Subsidiaries & Summary
Simon Morrison, Managing Director

Performance – Subsidiaries

Subsidiary	Operational Performance
Sciacca's	Slow 1H but strong file openings following change in QLD Workers Comp reforms
Emanate	Decline in revenue from resources sector partially offset by increase in litigation, planning and related commercial work
Stephen Browne	Solid performance in FY16
Bradley Bayly	Strong pipeline of major cases in 2H FY16
Best Wilson Buckley Family Law	New acquisition has contributed to revenue and earnings with shorter cycle time

Focus for remainder of FY16

Financial Performance
Delivering on our forecast

Transformation
Roll out key initiatives through Shine Lawyers
Marketing to drive revenue generation
Sustainable business improvement to grow margins

Acquisitions
Planning for integration of previous acquisitions
Economies of scale across the Group

Key Messages

Underlying business model remains strong

Continue to execute our transformation program

Executed new facilities agreement with CBA pushing debt maturity beyond 2018

No interim dividend but we expect to be in a position to declare a full year dividend

Continue to monitor acquisition opportunities

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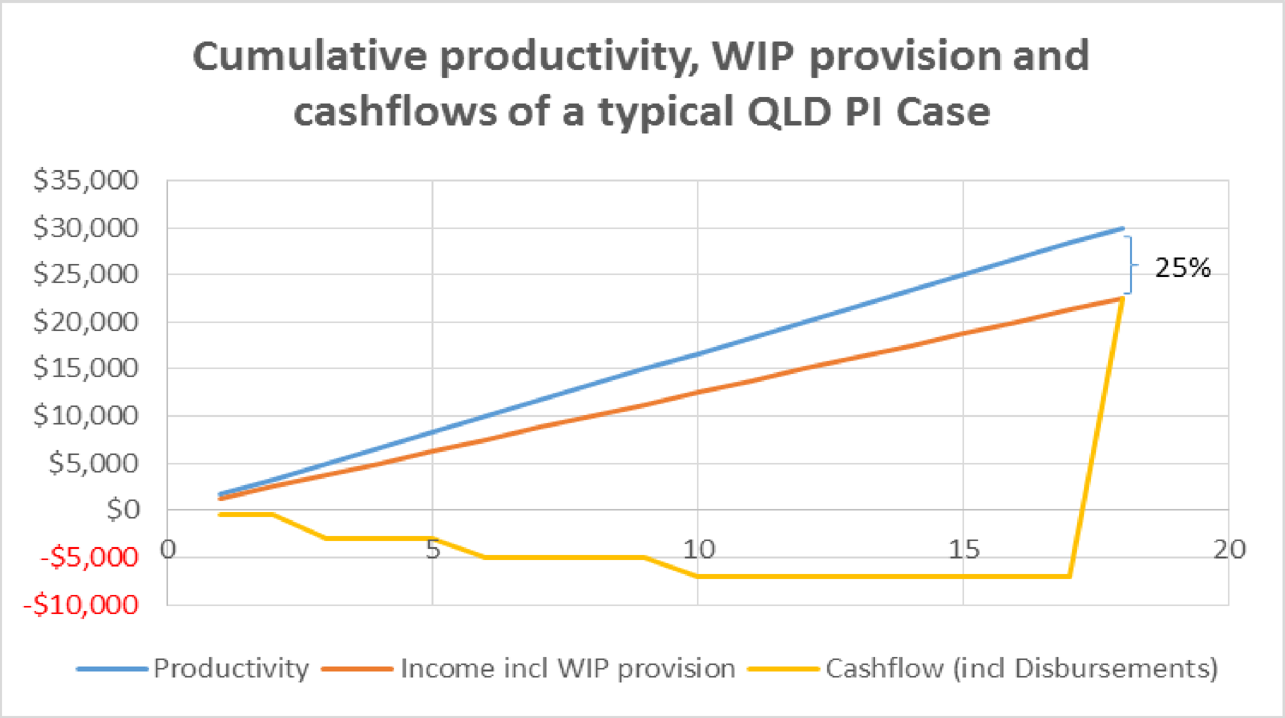
QUESTIONS?

APPENDICES

Typical business cycle of a Personal Injury case

- Revenue based on WIP which is recognised progressively over case life
- On average a 25% provision is recognised against WIP (a function of expected recovery rate)
- Case life varies by type of matter from 6 mths to over 5 years
- Disbursements typically outlayed in first 12 mths of matter and increase significantly if proceed to trial
- While table is typical example of a Personal Injury file, there is distribution of outcomes with skew to the right



WIP Provisioning Recap

- Adjustment announced to ASX on 29 January 2016
- Provisioning change impacts all current cases excluding class actions, plus third party and other debtors
- In “no-win, no fee” business not all current cases will ultimately succeed
- Once we identify case unlikely to succeed, we recognise provision against full value of WIP
- We also recognise provision for WIP on matters that will be successful but not fully recoverable
- Residual percentage of current cases in case portfolio at end of each reporting period which will not succeed in future
  → **<u>these files are not currently identifiable</u>**
- Also, increased provisioning relative to recent billing recovery rates
- Adjustment was change in estimate and booked in 1H FY2016 accounts: ($17.5m)
- Provisions will increase (or decrease) as total value of WIP changes as:

  Provisions = Provisioning rates x WIP pool
- Provisioning rates will be reassessed periodically to reflect the historical recovery rates
- As recovery rates improve, provisioning rates will reduce