SHINE CORPORATE LTD

Investor Presentation

30 October 2015

Simon Morrison – Managing Director
Daniel Wilkie – Chief Financial Officer
Courtney Petersen – Chief Executive Officer

Outline

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- EPA Strategy
- Key Highlights
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- Overview of case selection and management process
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- Financial results
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HISTORY

1976	Founded as “KG & Shine & Co” in Toowoomba by Kerry Shine
1981	Stephen Roche commenced as an Articled Clerk
1988	Stephen Roche appointed as Partner, firm becomes “Shine Roche” Simon Morrison commenced as an Articled Clerk
1994	Brisbane office established
1995	Simon Morrison appointed as Partner
1998	Stephen Roche and Simon Morrison became joint equal partners and commenced strategy of specialising in personal injury claims
2000-2004	QLD Regional footprint established (mix of greenfield and acquisition)
2004	Entered VIC market (Melbourne office established)
2006	Rebranded as “Shine Lawyers”
2008	Acquired Workforce Legal in VIC, entered WA (Perth office established)
2009	Converted to an Incorporated Legal Practice
2010	Entered NSW market (acquired Sommerville & Co in North Sydney)
2013	Company floated on ASX
2014	Acquired 4 companies: Stephen Browne Personal Injury Lawyers; Emanate Legal; Sciaccas Lawyers; and Bradley Bayly Legal
2015	Opened Shine Lawyers NZ Ltd

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What business are we in

- Plaintiff damages based litigation
- A wrong, a remedy, a pot of money usually an insurance policy and a process to access funds for the benefit of our client.
- Personal Injury (PI) - 78% of income
  - Workers compensation
  - Motor Vehicle Accident
  - Public Liability
- Emerging Practices Area (EPA) - 22% of income
  - Major Claims – High quantum personal injury work
  - Shine direct – Low value personal injury claims
  - Energy & Landholder law
  - Disability & Superannuation
  - Class Actions
  - Medical law
  - Professional Negligence
  - Insolvency

Emerging Practices Strategy

Diversification

- Reduce exposure to impact from legislative change
- Income streams with different characteristics and benefits

Growth in profitable areas of practice

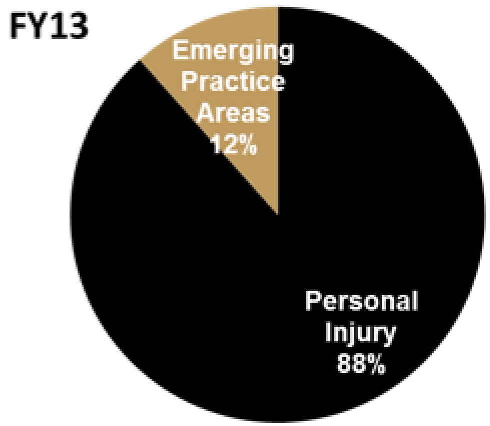
- Higher profit margins
- No single dominant player
- Growing a national practice footprint in key areas

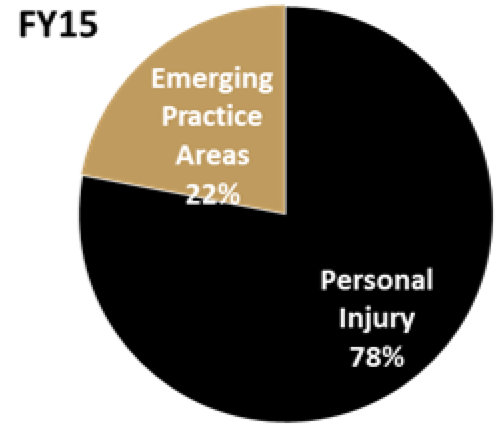
KEY HIGHLIGHTS FY15

Strategy	• Continued focus on 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[1]
Dividends	• Final dividend of 1.75cps, unfranked • Total dividend of 3.75cps, unfranked • Payout ratio 21.8%

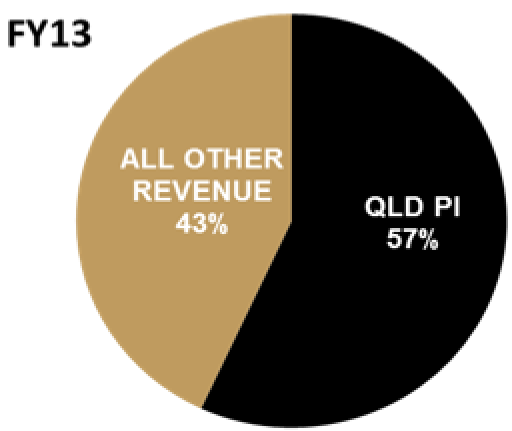
[1] Normalised NPAT is statutory NPAT plus acquisition costs of $1.4M and normalised NOCF is after adding back tax payments of $1,116,000 refunded in July '16 following the successful ATO tax ruling.

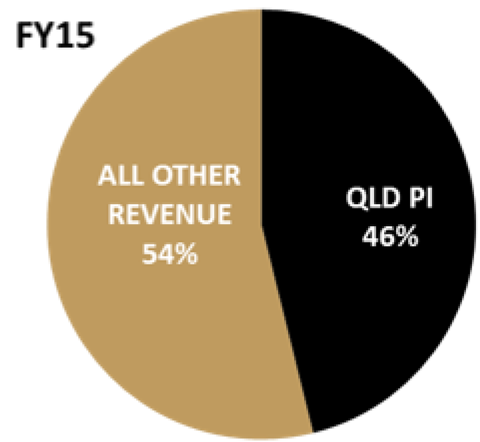
REVENUE DIVERSIFICATION



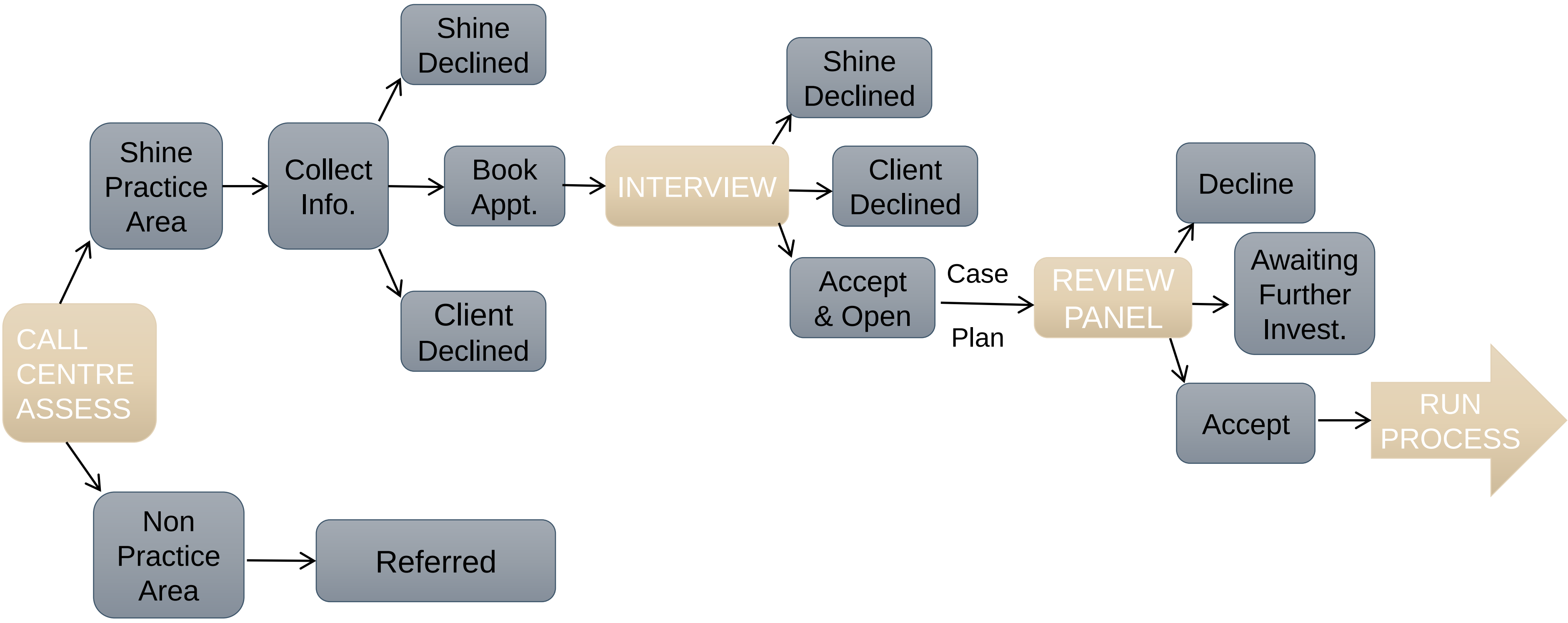


Emerging practice areas have increased to 22% of total group revenue while the group now derives over half its revenue from outside its core QLD PI base.





OVERVIEW OF CASE SELECTION & MANAGEMENT PROCESS



OPERATING PERFORMANCE BY AREA

Personal Injury	Emerging Practice Areas
➢ Revenue $116.4M **➢ EBITDA $32.7M** **➢ EBITDA Margin 28.1%**	**➢ Revenue $33.7M** **➢ EBITDA $11.2M** **➢ EBITDA Margin 33.2%**
• Strong performance for the year • Three new branches opened in NSW and Victoria • Broadened footprint in QLD and WA	• Strong performance whilst continuing to deliver on our strategy of diversification of the portfolio
• Challenging external environment - Intensely competitive market with aggressive advertising spend by competitors – impacts pipeline of new cases - Tort Reform - change to QLD workcover legislation with impact previously estimated of $2.5M NPAT • Strong contribution from acquisitions	• Widened geographic footprint across Australia • Added Insolvency practice area • Significant high-profile High Court win on asbestos-related matter • Strong contribution from acquisitions

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TRANSFORMATION UPDATE

- **Transformation in full swing**
  - Focus on accountability and “back to basics”
  - Finance Function - May 2016. Restructure of processes, implementation of Microsoft Dynamics AX to replacing legacy system. Less resource intensive.
  - Rollout of first State (Vic) for core matter management system – August 2016. Improved recovery & Velocity
  - Completion of rollout by May 2017
- **Key benefits:**
  - Improvement in speed with which we will be able to settle matters.
  - The target is a reduction in matter lifecycle by 150 days.
  - Cash will flow more quickly and will be unlocked from the business in a shorter period of time.
  - Greater control of the case monitoring process.
  - In built “guard rails” with consequent improvement in WIP management and recoverability. 1% improvement in recovery rate = $1.7m EBITDA improvement
  - Higher amount of damages per file by building up heads of damages more accurately. Defender and insure profiling.
  - Better controls around legal/medico procurement.
  - Allows Shine to enter new jurisdictions using Shine core processes and systems.
  - Makes business more robust from business continuity perspective

TRANSFORMATION UPDATE

- Rebalance of Fee earner and administration staff Headcount.
- Staff numbers in Shine Lawyers reduced by 34 to 654.

ACQUISITION UPDATE

- Acquisition of Bradley Bayly effective 1 June 2015 (completed 14 August 2015) significantly strengthens presence in WA
- Paid for via combination of cash, debt and scrip – while mitigating risk with earn-outs and deferred consideration
- Increasing diversity of practice areas and revenue sources
- More prospects in the pipeline at various stages of completion
- Continue to focus on damages-based loss recovery
    - Widen geographic footprint
    - Continue to grow Emerging Practice Areas
- File purchases also continue with distribution through existing network ($0.6M in FY15). Further file purchases expected this year.

ACQUISITION UPDATE

- Progress on Integration of Subsidiaries
- Macro environment for acquisitions
- UK and US update

Regulatory Update

Queensland

- **Workcover**
    - Legislation to overturn previous changes was passed in September
    - Change in legislation was made retrospective from 1st February 2015
    - Passing of legislation and removal of 5% threshold will have a small positive impact on results in FY16.
    - Greater impact in FY17 and beyond

NSW	No immediate reform activity. Environment potentially becoming more positive
WA	Common law retained for catastrophic motor vehicle claims
VIC	No imminent changes
NDIS	No change
NIIS	No change

Director information & Executive Appointments

Key Board and Executive Management changes during FY15:

Stephen Roche

- Resignation as a director but continues as a consultant – August 2015

Simon Morrison

- SMM will focus more heavily on growth opportunities for the Group.

Courtney Petersen

- Appointment as CEO – March 2015

Daniel Wilkie

- Appointment as CFO – May 2015

Melissa Leahy

- Appointment as Head of People and Culture – Aug 2015

Paul Duggan

- Appointment as Head of Strategy & Marketing – Oct 2015

Note: Simon Morrison and Stephen Roche intend to maintain their current shareholding for the foreseeable future and have an agreement to hold equal stakes

FY16 PRIORITIES AND GUIDANCE

- 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

Disbursement Funding

- Definition of a disbursement
  - Costs incurred by Shine (excluding Recoverable WIP Costs) directly attributable to a file in reaching Settlement, and are specified in the Client Agreement as reimbursable from the client damages awarded. Examples include expert medical reports, private investigator reports and barrister fees
- Amount carried on Balance Sheet and funded by Shine as at 30 June 2015 $30m and would continue to increase as the business grows
- Update
  - Disbursement or self funding by the client in Personal Injury (core) business became mandatory in mid September 2015 unless client chooses to self fund.
  - Shine will fund only a very small % of cases where client doesn’t meet Disbursement Funder’s requirements.
  - Disbursement funding has been extended to EPA classes (excluding Class Actions & Shine Direct) from November 2015.
- Impact of new position going forward
  - Will still have to fund disbursements that are not part of a disbursement funding agreement but the mix will fundamentally change from October 2015
  - By June 2015 expecting to move $750k per month off Balance Sheet

How does cash flow through the business?

- Typical Personal Injury cases involve an 18 month timeframe
- Non Personal Injury cases have a different profile and can be as long as five years (class actions)
- Using the Personal Injury worktype as an example, cases taken on during the course of a year will yield zero cash in that year. Cash will start to emerge in a normal distribution in 2 years.
- For non PI matters, cash emerges more slowly and in a manner consistent with timeframe of the life of the case. Disbursements on large matters such as class actions can have a significant effect on cash.
- Growth in Personal injuries and higher relative growth in EPA would, if not funded, require additional working capital to support longer case timeframes
- Disbursement funding and improved file velocity (speed with which matters are settled) will have the effect of freeing up cash and improving the speed with which cash emerges from the business.

How does cash flow through the business?

Example of a typical Personal Injury case lifecycle

Case opened — Case resolved

	0	6	12	18	24 mths
Net revenue		$7.5k	$7.5k	$7.5k	$7.5k
Cash		-$2k	-$5k		$30k fees
		disbursements			+ $7k disbursements

- Revenue as work in progress is recognised progressively over the case life.
- Case life varies by type of matter from as little as 6 months in the case of Shine direct to greater than 5 years in the case of class actions.
- Typically disbursements are outlayed in the first 12 months of a matter and increase significantly if it proceeds to trial.
- Whilst this is a typical personal Injury file, there is a distribution of outcomes with a skew to the right.

Banking Facilities

- Currently in advanced discussions to restructure business loans due to mature in March 2016
- Moving to interest rate only market rate loans with variable tenors
- New facility to fund transformation project now in place
- Increase in working capital facilities available
- New Group Line of Credit across all facilities
- Increase in “headroom” from financier to 60% of net work in progress.
- Increased flexible acquisition facility of $20m

Accounting Policies

Revenue recognition

- Revenue is recognised in the period in which the legal services are provided to the client.
- The basis for charging the client is work performed and recorded in time sheets.

Provisioning

- Amounts are provisioned against work in progress monthly based on historical recoverability rates for each work-type.
- Where it is no longer probable that a matter will be successful, the work in progress is fully provided until the matter is closed.

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FOR MORE INFORMATION PLEASE VISIT:

WWW.SHINE.COM.AU

Appendix

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FINANCIAL RESULTS

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

[1] Revenue excludes Interest Revenue
[2] Normalised EBITDA is after adjusting Statutory EBITDA for Acquisition Costs of $1,399,890
[3] Normalised NPAT is after adjusting for Acquisition Costs (after tax) of $980,000
[4] 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
[5] 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

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
Total Assets	**316.1**	**206.8**
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
Total liabilities	**139.9**	**86.9**
Net assets	**176.2**	**119.9**

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%

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