
INTEGRATED LEGAL HOLDINGS

LIMITED



Talbot Olivier
LAWYERS



ARGYLE LAWYERS
Peta



CIVIC LEGAL



LAW CENTRAL



PLN



SIGNET
LAWYERS

Annual General Meeting

24 November 2011



Item 2 – Adopt the Remuneration Report

| | |
|--------------------|------------|
| In Favour | 1,505,347 |
| Against | 542,339 |
| Open – Usable | 0 |
| Open – Conditional | 529,000 |
| Open – Unusable | 303,349 |
| Abstaining | 2,000 |
| Excluded | 12,967,560 |



Item 3 – Re-election of Ms Anne Tregonning as a Director

| | |
|--------------------|-----------|
| In Favour | 7,366,706 |
| Against | 109,598 |
| Open – Usable | 8,295,265 |
| Open – Conditional | 0 |
| Open – Unusable | 0 |
| Abstaining | 78,026 |
| Excluded | 0 |



Item 4 – Amendment to the Constitution

| | |
|--------------------|-----------|
| In Favour | 7,417,295 |
| Against | 125,035 |
| Open – Usable | 8,295,265 |
| Open – Conditional | 0 |
| Open – Unusable | 0 |
| Abstaining | 12,000 |
| Excluded | 0 |

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Agenda

- ❖ **Overview**
- ❖ **Financial Performance**
- ❖ **The Industry Opportunity**
- ❖ **Business Strategy & Model**
- ❖ **Case Studies**
- ❖ **Outlook**



About Integrated Legal

- ❖ **Listed legal services business with a developing network**
 - 4 law firms & an internet based legal document business
 - Top 40 Australian law firm by fee income
 - Fastest growing law firm in Australia in 2009 by fee income, and placed second in 2010 (Source: Australasian Legal Business)
 - Over 175 employees including 22 Principals and more than 70 lawyers
- ❖ **Commercial clients in the public listed company, mid-market business, government and SME segments, as well as high net worth individual clients**
- ❖ **Offices in Sydney, Melbourne and Perth**
 - Representative offices in Singapore and across the Pacific region
 - International affiliations in Asia, The Americas and Europe
- ❖ **Strategy**
 - Identifying very good medium sized legal services businesses to join the Group through acquisition
 - Support these firms as part of a national network towards above market growth, improved business performance and Group synergies

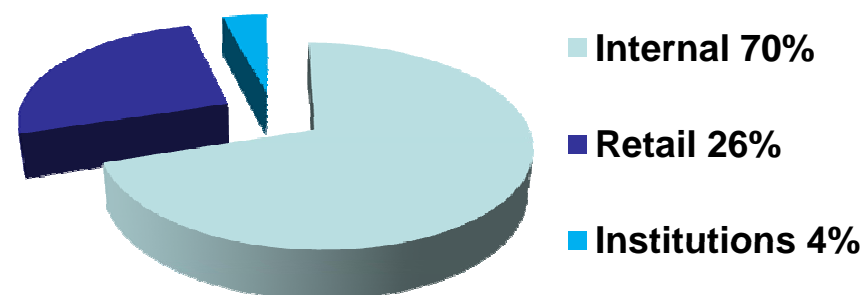


Corporate Snapshot

| <u>Market</u> | <u>11/11/11</u> |
|-----------------------|-----------------|
| Shares on Issue | 101.3m |
| Share Price | 13 cents |
| Market Capitalisation | 13.2m |
| P/E- @ 2010/11 EPS | 9.2x |
| Dividend Yield | 6.9% |

| <u>Investment</u> | <u>30/06/11</u> |
|---------------------------------------|-----------------|
| Shareholders Equity | 18m |
| Debt to Equity | 15% |
| Earnings Per Share | 1.41 cps |
| | Growth 19% |
| Full Year Dividend (fully franked) | 0.90 cps |
| | Growth 20% |

Shareholder Profile



- ❖ Shareholders – 851
- ❖ Top 20 – 57.8%
- ❖ >5% – 2 shareholders (7.4%; 6.3%)
- ❖ Institutions – 1 shareholder





Range of Services

Business Advisory

Corporate & Commercial
Property & Construction
Commercial Litigation
Insurance Services
Media & Defamation
Licensing, Gaming & Hospitality
Government Services
Insolvency & Corporate Recovery
Workplace Relations
Taxation Litigation & Advice
Compliance & Regulatory
Dispute Resolution & Mediation
Mergers & Acquisitions
Mining, Energy & Resources

Private Clients

Wealth Management
Wealth Protection
Superannuation
Taxation Litigation
Taxation Advice
Taxation Audits
Estate Planning & Wills
Succession Planning
Family
Immigration Advice
Property/Settlements
Employment/Workplace
Criminal
On-line Legal Document Publishing



Member Firms

❖ Talbot Olivier

- Perth CBD based
- 80 year history
- Broad services

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❖ Argyle Lawyers

- Sydney CBD based & office in Melbourne
- Broad services


ARGYLE LAWYERS

❖ PLN Lawyers

- Part of Argyle
- Commercial law services
- Specialist Pacific & Asian region - commercial law services
- Sydney office; services in Fiji, Vanuatu, PNG & 15 other Pacific countries
- Network of affiliate relationships with local capabilities
- Clients – Australian, Asian, European, US with Pacific asset


P L N



Member Firms

❖ Signet Lawyers

- Sydney CBD based
- Tax litigation and advice specialist



❖ Civic Legal

- Perth CBD based & rep. office in Singapore
- Formed Feb 2011
 - Merger of acquisition WK Legal & BDL
- Broad services



❖ Law Central

- Internet based legal documents
- Part of Civic Legal





Financial Performance

2010/11 Highlights

- ❖ Net profit after tax increased by 51% to \$1.29m
- ❖ Earnings per share increased by 19% to 1.41 cents per share
- ❖ Operating revenue increased by 19% to \$28.5m
- ❖ Operating cash inflows of \$1.23m
- ❖ Strong balance sheet, cash reserves and conservative borrowings
- ❖ 20% growth in full year dividend of 0.90 cents per share fully franked
- ❖ Continued acquisition growth
 - Wojtowicz Kelly Legal effective 1 February 2011 - \$5.3m annual revenue
 - PLN Lawyers effective 1 August 2011 - \$2m annual revenue
- ❖ Top 5 ranking in the 2010 & 2011 BRW Fast Starters
(Source: BRW Magazine)





Financial Performance

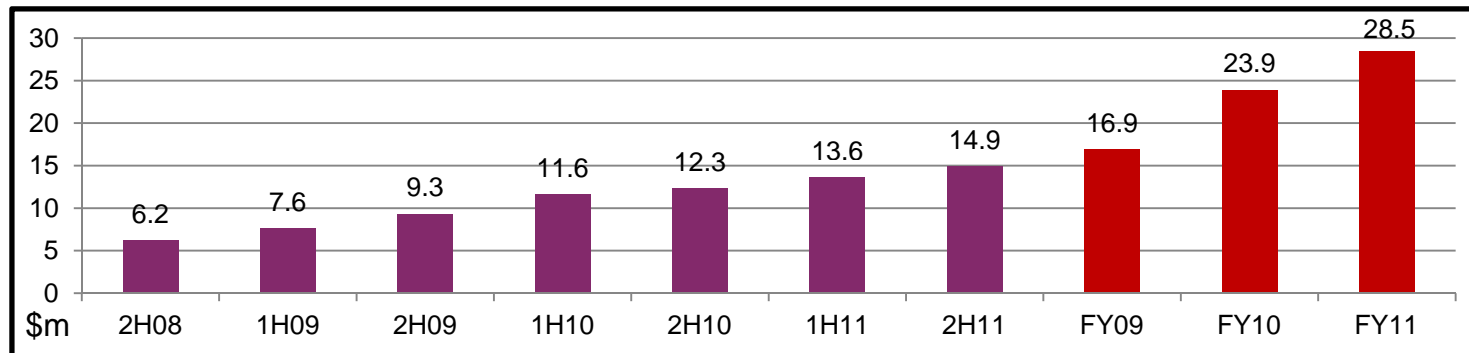
Consistent Revenue Growth Track Record

| | 2010/11 \$m | 2009/10 \$m | 2H 11 \$m | 1H 11 \$m | 2H 10 \$m | 1H 10 \$m |
|-------------------|----------------|----------------|--------------|--------------|--------------|--------------|
| Operating Revenue | 28.48 | 23.87 | 14.86 | 13.62 | 12.29 | 11.59 |

19%
Growth

21%
Growth

18%
Growth

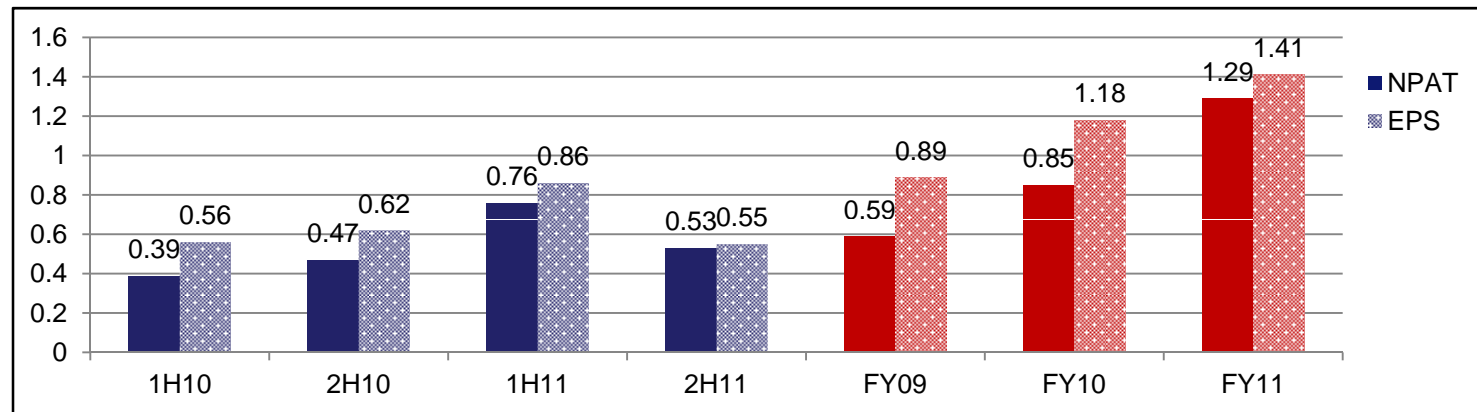




Financial Performance

Profit, EPS & Dividend Growth

| | 2010/11 \$m | 2009/10 \$m | Growth % | 2008/09 \$m | Growth % |
|----------------------|----------------|----------------|-------------|----------------|-------------|
| Net Profit after Tax | 1.29 | 0.85 | 51% | 0.59 | 44% |
| Earnings per Share | 1.41 cents | 1.18 cents | 19% | 0.89 cents | 33% |
| Dividend per Share | 0.90 cents | 0.75 cents | 20% | NA | NA |



❖ Integrated Legal has been profitable since commencement

“We help good law firms become great law firms”



The Industry Opportunity

- ❖ **The industry**
 - Internationalisation
 - Consolidation
- ❖ **Integrated Legal target segments (Medium and Small Law firms)**
 - Fragmented - +11,000 law firms in Australia
 - Undermanaged “cottage industry”
- ❖ **Medium sized law firms (headcount 30-60)**
 - Difficult to attract and retain good lawyers
 - Hard to provide broad services to clients
 - Hard to achieve growth (capital constraints)
 - Young lawyers reluctant to buy into partnership (succession)
 - Increased regulation and compliance
- ❖ **Small sized firms (headcount < 30)**
 - Hard to be small – staff, training, resources, growth

Est. 150 medium sized firms in Integrated Legal target segment for member firms

IMPLICATIONS

Opportunity to develop and grow a network of member firms

Pipeline of tuck-in acquisitions of small firms

Opportunity to improve from “cottage” industry

Potential fallout from internationalisation & consolidation



Business Strategy

- ❖ **Limited number of member firms**
 - 15-20 member firms over the next 5-10 years
 - Capital cities and key regional areas across Australia
 - Medium sized commercial & private client law firms
 - Broadly based services
 - Quality clients in our target segments
 - Selective and incremental
 - Cultural fit, compatibility with aspirations, quality of firm, growth potential
- ❖ **Support growth and development of member firms**
 - Scale businesses with competitive advantage in their markets
 - Organic
 - Tuck-in acquisition (particularly specialist firms)
- ❖ **Improved business performance of member firms**
 - Leadership & management
 - Business Development
 - Business improvement – best practices, benchmarking, knowledge sharing
- ❖ **Cost advantage through scale**



Business Model

❖ Freedom within boundaries

- Firms retain branding
- Firms continue to develop strategy & manage the business
- Focus on revenue growth and margin improvement
(not cost cutting or centralisation)

❖ Performance based remuneration

- KPI based – revenue, profit, growth & cash flow
- Profit share to incentivise growth in NPBT
(aligned with shareholder interests)

❖ Corporate

- All acquisitions
- Provides boundaries – strategic, financial, KPI's, risk management
- Support in firm management, business improvement & best practices

Case Studies



“We help good law firms become great law firms”



Talbot Olivier Lawyers

- ❖ **Largest member firm based in Perth CBD**
- ❖ **80 year history – well established brand and reputation**
- ❖ **10 Principals, 32 other fee earning staff**
- ❖ **Commercial and Private Client law firm specialising in**
 - Corporate & Commercial
 - Commercial Litigation (larger companies)
 - Media & Defamation
 - Insurance
 - Government
 - Licensing, Gaming & Hospitality
 - Mining & Resources
 - Workplace relations
 - Criminal
 - Family
 - Property & Settlements
- ❖ **Strong growth since joining August 2007 – fee income more than doubled**
 - Principals increased from 7 to 10
 - Predominantly organic growth

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Quality of Member Firms

- ❖ **Scale**
 - 3 member firms with +\$8m fee income
- ❖ **Broadly based services**
 - Business and Private Client
- ❖ **Client Profile**
 - Publicly listed companies
 - Mid-market businesses
 - Government
 - SME's
 - High net worth individuals
 - "Stickiness" - repeat business
- ❖ **Long term commitment of vendor Principals**
 - 4 year fixed initial employment term, then 6 months notice period
 - 12 month restraints on any termination – clients, staff, competition
 - Escrow of shares



Acquisition of PLN Lawyers

- ❖ **Completed 1 August 2011**
- ❖ **Tuck-in with Argyle Sydney**
- ❖ **Specialist Pacific & Asian region - commercial law services**
- ❖ **Approx. \$2m revenue**
- ❖ **Sydney office; services in Fiji, Vanuatu, PNG & 15 other Pacific countries**
- ❖ **Network of affiliate relationships with local capabilities**
- ❖ **Clients – Australian, Asian, European, US with Pacific assets**
- ❖ **Integrated Legal Strategy**
 - High quality business and clients
 - Builds Argyle & ILH commercial capability
 - Growth potential with extra support
 - Growth from additional services of Argyle & ILH
 - Cross referrals – “leakage”
 - Premises synergies



Acquisition of PLN Lawyers

- ❖ **Strict investment criteria**
 - Cultural and aspirational fit
 - Business quality, growth potential, succession
 - EPS & ROI targets
- ❖ **Multiple of maintainable earnings (EBIT)**
- ❖ **Cash and shares**
 - 3.04m shares at 11.5 cents per share - \$350k
 - Cash at completion
 - Deferred cash component payable based on achieving EBIT targets
- ❖ **Funded with surplus cash reserves**
 - Increased debt during WIP/Debtor build up period
- ❖ **EPS accretive in 2011/12**
- ❖ **Standard Vendor Principal Restraints & Conditions**
 - 4 year fixed initial employment term, then 6 month notice period
 - 12 month restraints on any termination– clients, staff, competition
 - Escrow of shares

Outlook



“We help good law firms become great law firms”



Positioned for Growth

- ❖ **Integrated Legal is in a strong position**
 - Good businesses with strong positions in local markets
 - Selectively building a strong culture ... like-minded people, common aspirations
 - Right people “on the bus”; wrong people “off the bus”
 - Demonstrated ability to achieve strong and consistent revenue growth
 - Strong balance sheet & access to capital for growth
 - Scope for business performance improvement
 - Long term commitment of vendor Principals
 - Tail winds - prevailing industry issues
- ❖ **Growth opportunities for existing firms are significant**
- ❖ **Acquisition opportunities are significant and ongoing**



Priorities

- ❖ **Growth, development & improvement of existing member firms**
- ❖ **Extend geographic & service coverage**
- ❖ **Strong & consistent financial performance**
- ❖ **Develop profile & brands**
- ❖ **Leverage the network**



Outlook 2011 / 2012

- ❖ **Trading conditions in some service lines and businesses have been weakened due to broader Australian and International market factors**
- ❖ **Expect full year growth in EPS**



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