
INTEGRATED LEGAL HOLDINGS

LIMITED



Talbot Olivier
LAWYERS


ARGYLE LAWYERS
Peta


CIVIC LEGAL


LAW CENTRAL

 P L N


SIGNET
LAWYERS

Australian Microcap Investment Conference
Melbourne, 18 October 2011
Graeme Fowler – Managing Director



Agenda

- ❖ **Overview**
- ❖ **Financial Performance**
- ❖ **The Industry Opportunity**
- ❖ **Business Strategy**
- ❖ **Case Studies**
- ❖ **Outlook**
- ❖ **Key Messages**



About Integrated Legal

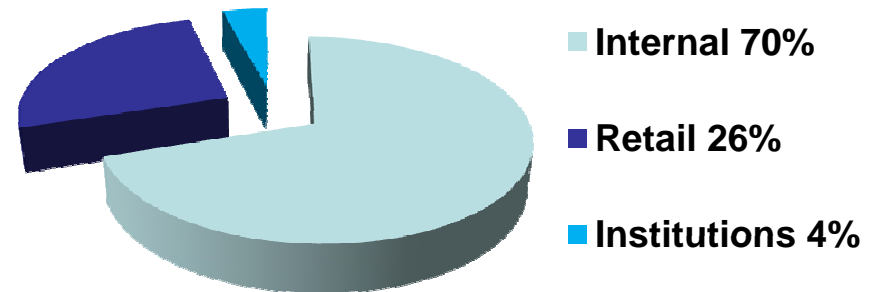
- ❖ **ASX listing - August 2007**
- ❖ **Sydney Headquarters**
- ❖ **Legal services business with a developing network**
 - 4 law firms & an internet based legal document business – 100% “owned”
 - Top 40 Australian law firm by fee income
 - Fastest growing law firm in Australia in 2009 by fee income, 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



Corporate Snapshot - ASX Code IAW

<u>As at 12 October 2011</u>	
Shares on Issue	100.7m
Share Price	12.5 cents
Market Capitalisation	12.6m
P/E- @ 2010/11 EPS	8.9x
Dividend Yield	7.2%

Shareholder Profile



- ❖ Shareholders – 851
- ❖ Top 20 – 57.8%
- ❖ >5% – 2 shareholders (7.4%; 6.3%)
- ❖ Institutions – 1 shareholder
- ❖ Internal
 - Board, Management, Principals, Staff
 - Managing Director – 4.8%
 - Vendor Principals
 - Approx. 2% to 3%
 - Escrowed over 3 years



Board and Management

- ❖ **John Dawkins – Independent Non-Executive Chairman**
 - Former Federal Treasurer
 - Company Chairman & Director
 - Government Relations Australia – Executive Director
- ❖ **Anne Tregonning – Independent Non-Executive Director**
 - Experience in accounting, risk management and as a company Director
 - Held senior management roles at St George Bank and BankWest
- ❖ **Graeme Fowler – Managing Director**
 - Experienced in public listing of professional services businesses
 - Legal, accounting, financial services
 - WHK Group (Accounting & Financial Services) 2003 – 2007 (Group CEO)
 - Non Executive Director – Countplus Ltd (Accounting & Financial Services)
 - BT Funds Management (1987-2002)
- ❖ **Jean-Marie Rudd – Chief Financial Officer**
 - Experienced CFO
 - Previously 6 years with Minter Ellison Perth as Finance Director





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



Key Messages

- ❖ Legal services business
- ❖ Industry dynamics creating a growth opportunity
- ❖ Strategy
 - Acquisition, organic growth, business improvement, scale
- ❖ Developing track record of strong financial performance
- ❖ Notable dividend yield and growth
- ❖ Relevant experience of board and management
- ❖ Opportunity for early involvement in an aggregation growth story that will play out over the next decade



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)



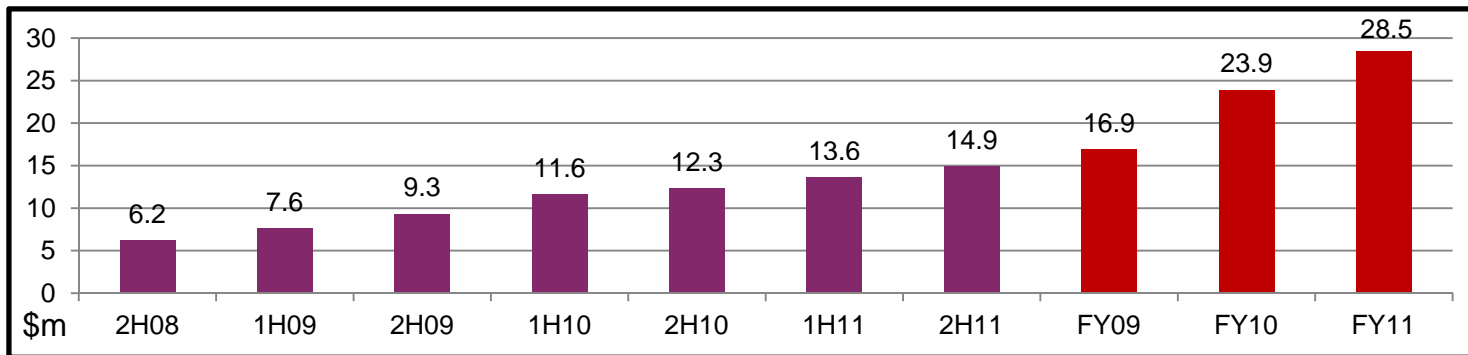


Financial Performance

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 (between 2009/10 and 2010/11)
21% Growth (between 2H 10 and 2H 11)
18% Growth (between 1H 10 and 1H 11)

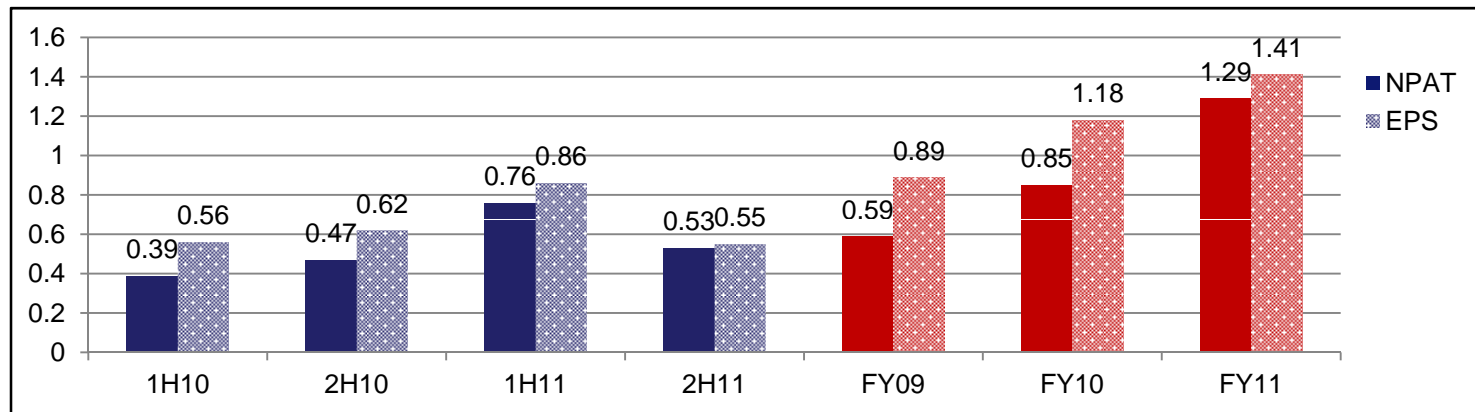




Financial Performance

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
 - ❖ Training – Targets – Accountability
 - ❖ Cross referral of specialist services (firm and Group)
 - ❖ Asia/Pacific region opportunities
 - Tuck-in acquisition (particularly specialist firms)
- ❖ **Improved business performance of member firms**
 - Leadership & management
 - 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**
- ❖ **11 Principals (Partners), 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 11
 - Predominantly organic growth

TalbotOlivier
LAWYERS



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
- » 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**



Integrated Legal 5 Year Plan (2011 - 2015)

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

	FY 2011	Target
Revenue	\$28.5m 19% growth	Circa. 15-25% growth (organic & acquisition)
Group EPS	1.41 cps 19% growth	10-15% before acquisitions
Member Firm NPBT Margin	13%	20%
Dividends	0.90 cps 20% growth	Growth in line with EPS
Member Firm Lock-up days	113	Towards 100

Revenue
target
\$100m



Key Messages

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