

23 February 2024

# ASX Announcement

## Shine Justice Ltd (SHJ) FY24 Half Year Financial Results

Measure	31 Dec 23	31 Dec 22	% change from PCP <sup>1</sup>
Total revenue	\$100.68m	\$111.21m	↓ 9.47%
Gross Operating Cash Flow (GOCF) <sup>2</sup>	\$29.11m	-\$8.91m	↑ 426.87%
Adjusted EBITDA <sup>3</sup>	\$22.20m	\$26.91m	↓ 17.48%
EBITDA <sup>4</sup>	\$13.32m	\$26.91m	↓ 50.51%
Adjusted NPAT <sup>5</sup>	\$6.40m	\$10.65m	↓ 39.91%
Net Profit After Tax (NPAT)	\$0.18m	\$10.65m	↓ 98.33%
Interim Dividend per share (cents)	1.50	1.50	0%
Earnings per share (cents)	0.10	6.18	↓ 98.38%

Shine Justice today announced the financial results for the six months ended 31 December 2023.

### Financial performance

GOCF was \$29.11 million, compared with -\$8.91 million in the PCP, an increase of 426.87% in cash generation. Strong cash receipts were attributable largely to the settlement of class actions, including one of the largest Australian class action settlements of 2023. The non-class actions business fees billed increased by 15.5% compared to PCP.

Adjusted EBITDA (adjusted to exclude non-recurring items) was \$22.2 million, a decrease of 17.48% on the PCP.

EBITDA was \$13.32 million, compared with \$26.91 million in the PCP (a decrease of 50.51%).

EBITDA was impacted by the partial recovery of our fees in the Ethicon and Boston Scientific Mesh class actions. As a result, an adjustment against revenue of \$7.3 million was brought to account in the first half,

<sup>1</sup> PCP means prior corresponding period.

<sup>2</sup> GOCF means Gross Operating Cash Flow. GOCF is not an IFRS measurement and has not been audited by the Company's auditors.

<sup>3</sup> Adjusted EBITDA excludes isolated non-recurring events, including the reversal of revenue in the Ethicon and Boston Scientific Mesh class actions due to partial recovery of our fees.

<sup>4</sup> EBITDA means Earnings Before Interest, Tax, Depreciation and Amortisation.

<sup>5</sup> Adjusted NPAT excludes isolated non-recurring events, including the reversal of revenue in the Ethicon and Boston Scientific Mesh class actions, tax effected at the corporate tax rate of 30%.



which together with other one-off costs related to restructuring and discontinued operations, resulted in Adjusted EBITDA of \$22.2 million.

Adjusted NPAT was \$6.4m for the half year, a decrease of 39.9% on the PCP.

Managing Director & CEO Simon Morrison said the financial results were impacted by non-recurring events and general sector conditions. Nevertheless, the Company delivered on the strategy of improving its cash flow, focusing on its revenue base, reducing overheads and rightsizing the business. The priority in the second half is to focus on organic growth and cost reduction initiatives to position the business for delivery of shareholder value.

### **H1 milestone achievements**

Activity in class actions remains strong and is expected to underpin growth in the short to medium term. The Company also expects to continue to consolidate and increase market share in the personal injury sector, with Queensland remaining the engine room in that sector for the Group.

The following class action settlements totalling \$154.7 million were approved by the Court in the first half of the year:

- an action against the Commonwealth Department of Defence for contamination from the use of firefighting foam in a range of sites across Australia; and
- an action against the Department of Defence for contamination in Wreck Bay.

We also received fees from the settlement of the Ethicon and Boston Scientific Mesh class actions during the first half and reached agreement to settle a class action against the Western Australian Government for Stolen Wages on behalf of thousands of Aboriginal Australian workers and an action against Evans Dixon in relation to advice given to clients, both subject to Court approval.

The following class actions were lodged in the first half, a record first half number:

- KFC;
- BT Funds Management and Asgard; and
- Rest Superannuation.

The Company's portfolio of filed class actions is now 35.

The Company launched a new Shine Lawyers website and Shine Lawyers advertising campaign, with a strong increase in new enquiries.

The Case Tracker App has been successfully integrated allowing clients to access their workers compensation, public liability and motor vehicle claims in our Queensland operations. The Company expects improved customer experience interface and file resolution rates in calendar year 2024.

The business remains strong in its geographic footprint with tangible opportunities to grow market share, both in personal injury and class actions.



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### **Interim Dividend**

After careful consideration, the Directors have determined to declare an interim dividend of 1.5 cents for the first half of FY24. This decision was based on the strong cash conversion in the first half and adjusted earnings per share of 3.6 cents.

### **FY24 Outlook**

The Group produced strong cash flow in the first half from class actions as well as resolution of cases in our core PI business. The second half is expected to see a continuation of stronger cash conversion.

The Group's strategy remains focused on business organic file growth and recoverability, including adjusting the Company's cost base. Improved process initiatives remain a key focus for the Company. We continue to assess non-core business lines as part of our strategic review program.

The legal sector continues to experience higher than usual employee turnover which has a latent effect on case management and resolution. To address these headwinds, the Company strives to create an environment that attracts and retains talent. Further, the Company has consolidated operations and fee earners and will continue to review overhead cost structure in the second half.

In relation to the Ethicon Mesh class action, the Company is preparing submissions in relation to the recovery of an amount of interest on the disbursement funding facilities used in that action.

As a consequence of the H1 results, the Company is no longer expecting adjusted EBITDA to exceed FY23 Adjusted EBITDA. The Company expects robust GOCF to continue with strong underlying cash receipts, underpinned by the seasonal uplift in H2 file settlements.

### **Medium Term Strategy**

The business is clear in its strategy for medium term growth and will continue to focus on operational efficiencies to offset ongoing cost pressures. This includes clearly delineating the practice segments that it wants to work in (its Core PI segment plus Class Actions), as well as ensuring that overhead costs are controlled.

#### *Non-Core businesses*

In FY24 the Company commenced an operational review of business units to assist their performance in line with the Group strategy. A market update will be provided in the FY24 full year results.

#### *Cost Reduction Program*

FY24 H1 saw the commencement of the implementation of a company-wide cost reduction program which included overhead costs as well as right-sizing legal teams. The positive benefit of these changes will result in future improvements in GOCF and EBITDA.

#### *Cash Conversion*

The Company expects future cash conversion will be boosted by revenue growth, with initiatives undertaken in FY24 in Class Actions and Core PI.



The FY24 H1 accounts and investor presentation have been lodged with the ASX and can also be found on the Company's website – [www.shinejustice.com.au](http://www.shinejustice.com.au). The Company will conduct an analyst and investor briefing at 10.30am AEST (Brisbane time) today. To register for the briefing, please [click here](#).

Approved for release by the Board.

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