

29 August 2023

ASX Announcement

Shine Justice Ltd (SHJ) FY23 Financial Results

Measure	FY23	FY22 ¹	% change from PCP ²
Total revenue	\$231.64m	\$215.13m	↑ 7.67%
Adjusted EBITDA ³	\$61.61m	\$63.09m	↓ 2.35%
Net Profit After Tax (NPAT)	\$3.31m	\$31.21m	↓ 89.39%
Gross Operating Cash Flow (GOCF) ⁴	-\$3.91m	\$36.57m	↓ 110.69%
Final Dividend per share (cents)	0.00	3.50	↓ 100.00%
Total Dividend per share (cents)	1.50	6.00	↓ 75.00%
Earnings per share (cents)	1.92	18.02	↓ 89.35%

Financial performance

The Company today announces the financial results for the financial year ended 30 June 2023.

Revenue was \$231.6 million, an increase of 7.7% on the prior corresponding period (PCP). The Group achieved adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) of \$61.6 million, compared with \$63.1 million in the previous year, a decrease of 2.3 percent.

Net profit after tax (NPAT) of \$3.3 million compared with \$31.2 million previously, with FY23 significantly impacted by an adjustment to the value of Ethicon disbursement funding interest (-\$32.4 million). Gross operating cash flow (GOCF) of -\$3.9 million largely reflects delays in the resolution of cases and longer than anticipated periods for court approvals of class action settlements achieved during the year, including some significant class actions in which we expect our fees will be considered for approval in the first half of FY24. In addition, GOCF includes the receipt of \$15.6 million of professional fees in the Ethicon Mesh Class Actions which was paid to the disbursement funder.

Managing Director & CEO Simon Morrison said 'Although the operating performance of the Group was disappointing, revenue increased due to growth in personal injuries, particularly in Queensland, and in Medical Law and Dust Diseases. While the revenue growth was pleasing, it was offset by increased direct and indirect costs.

¹ Certain comparatives in the PCP have been restated to reflect the discontinued operation of Emanate Legal Services.

² PCP means prior corresponding period.

³ EBITDA is not an IFRS measure and means Earnings Before Interest, Tax, Depreciation and Amortisation. Adjusted EBITDA is adjusted to exclude the impact of the \$32.4 million fair value adjustment to Unbilled Disbursements (Ethicon Mesh Class Actions interest).

⁴ GOCF means Gross Operating Cash Flow. GOCF is not an IFRS measurement and has not been audited by the Company's auditors.



GOCF in the year was affected by expenditure in growth activities, including class action investigations, slower than anticipated case resolution, as well as expenditure in marketing and recruitment. Like many businesses, we were impacted by staff turnover. We are implementing improvements in case resolution and cash collection. We are focused on ensuring that staff utilisation is maximised and operating costs are controlled. The underlying business remains strong.'

Ethicon Mesh Class Actions disbursement funding interest

The Ethicon Mesh Class Actions \$300 million settlement was approved by the Federal Court of Australia in March 2023, subject to the separate and later determination of orders with respect to the distribution of the settlement fund.

The class actions were conducted on a 'no win no fee' basis, meaning that Shine Lawyers would not recover its professional fees or its disbursements (necessarily payable to third parties including medical experts and barristers) unless the actions were successfully resolved. From the commencement of the class actions and for several years, Shine Lawyers bore all of the costs, including the disbursements. As the class actions proceeded through a long trial and subsequent appeals and the disbursements increased, it became necessary to obtain external disbursement funding.

On 3 August 2023, the Court dismissed our application to recover the full amount of the interest on the disbursement funding facility from the settlement fund, without dismissing the opportunity to make another application in relation to the same subject matter. Given the unfavourable judgment, consideration has been given to the carrying value of the Unbilled Disbursement Asset at 30 June 2023 and as a consequence, the fair value of the asset has been reduced by the judgment amount (\$32.4 million). Shine will prepare further submissions over the course of FY24 in relation to the recovery of an alternate amount of interest.

No Final Dividend in interests of prudent cash management

After careful consideration and in the interests of prudent cash management, the Directors have determined not to declare a final dividend for FY23, but expect to be in a position to declare dividends in FY24 in accordance with our stated dividend policy, subject to the expected improved cash position.

Milestone achievements

Despite the challenges we faced, we achieved some significant outcomes in FY23.

We expanded with new offices in Melton and Pakenham in Victoria and relocated some other branches to improve accessibility, visibility and functionality and we welcomed new recruits from the United Kingdom following a successful recruitment program.

In addition to the historic Ethicon Mesh Class Actions settlement, we achieved the following significant class action settlements:

- \$105 million in a further class action against pelvic mesh manufacturer Boston Scientific;
- \$50.45 million in an historic action against the Commonwealth of Australia for family members and deceased estates of the Northern Territory Stolen Generations;



- \$22 million in the historic action against the Commonwealth of Australia Department of Defence for losses to property value, use and enjoyment of the land and cultural loss due to exposure to firefighting foam in and around Wreck Bay in the Jervis Bay Territory; and
- \$123 million in an action against the Department of Defence for business and property losses due to exposure to firefighting chemicals in Bullsbrook (Western Australia), Richmond and Wagga Wagga (New South Wales), Wodonga/Bandiana (Victoria), Edinburgh (South Australia), Darwin (Northern Territory) and Townsville (Queensland) (Multi-site Contamination Class Action).

We were pleased to receive approval from the Federal Court on 25 August 2023 for the Multi-site Contamination Class Action settlement. This paves the way for Shine Lawyers to administer the settlement fund expeditiously to get compensation into the hands of group members. The Court also approved paying out the applicants' legal costs incurred in the class action from the settlement sum, including approximately \$8.45 million in fees and disbursements carried by Shine Lawyers on a no win, no fee basis. We expect that the settlement administration will be finalised within FY24.

We also:

- filed class actions on behalf of passengers who suffered from norovirus outbreaks on a series of Sun Princess cruises and shareholders who were allegedly misled by a listed investment company;
- filed a class action against Star Entertainment Group after it allegedly engaged in misleading and deceptive conduct; and
- filed an action against Anglicare's Newmarch House for deaths that occurred in the aged care facility due to alleged negligence during the coronavirus outbreak in 2020 on behalf of 25 people whose loved ones died at the facility.

We successfully launched our Case Tracker for workers' compensation, public liability and motor vehicle accident claims in Queensland, allowing our clients to access, manage and track the details of their case from the convenience of their mobile device.

We formalised our ongoing reconciliation journey with the launch of Shine's Innovate Reconciliation Action Plan (RAP). Our second RAP will allow us to further strengthen relationships with Aboriginal and Torres Strait Island people, explore ways to engage our people and other stakeholders and develop innovative strategies to advance our reconciliation efforts.

After years of tireless work by our Dust Diseases team campaigning to eliminate toxic dust from the stone mason industry, we are confident a ban on engineered stone could become a reality after federal, state and territory governments unanimously agreed to consider prohibiting the domestic use of engineered stone.

The Group's philanthropic initiative, the Shine A Light Foundation, awarded a \$15,000 grant to new charity partner, The Good Box, an Australian charity dedicated to helping people experiencing homelessness receive vital resources with dignity.



FY24 outlook

With respect to FY24, Mr Morrison said 'Shine Justice's business remains strong, with a committed and talented team and the right strategy to deliver improving results and grow earnings in new and existing markets. We are expecting EBITDA growth in FY24 over FY23 Adjusted EBITDA. Our pipeline of cases is strong. We are targeting a significant improvement in cash generation as major cases are concluded and as we implement improvements in our systems and processes for case execution and cash collection. In addition, we have commenced a reduction in our cost base which should assist EBITDA and GOCF in the future.

The FY23 accounts and investor presentation have been lodged with the ASX and can also be found on the Company's website – www.shinejustice.com.au. The Company will conduct an analyst and investor briefing at 10.30am AEST today. To register for the briefing, please click [here](#).

Approved for release by the Board

A handwritten signature in black ink, appearing to read 'Annette O'Hara'.

Annette O'Hara
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