

# Australian Family Lawyers

Investor Presentation

March 2019



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# Summary of the Transaction



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- ✓ Australian Family Lawyers (**AFL**) was founded in 2015 as a start-up disruptive family law firm
- ✓ Family law in Australia is a \$1.1bn industry and is highly fragmented - there is no national family law firm in Australia
- ✓ Navigator Resources Limited (**NAV**) has agreed to acquire AFL for \$6.7m and is raising **\$4.0m - \$6.5m** to fund the transaction and costs of the Offer, provide working capital for growth and repay existing debt
- ✓ NAV (**to be renamed AFL**) will have an indicative Market Capitalisation of \$10.1m - \$12.6m and Enterprise Value of \$10.3m - \$10.4m at completion of the Offer



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# The Leadership Team



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**Edward Finn**  
**MD and Founder**

- Founded AFL in 2015 after identifying the opportunity to launch a disruptive model in family law
- Previously worked in family law at Alpass & Associates
- Admitted as a Solicitor in 2012 and holds a Principal Practising Certificate
- Graduated with Bachelor of Law / Arts (Media & Communications) degrees at University of Melbourne
- Recipient of the Grummitt Scholarship



**Grant Dearlove**  
**Executive Chairman**

- 27 years experience as lawyer, company director and business owner / builder
- Practising solicitor since 1992, an equity partner with McInnes Wilson Lawyers and the last 9 years with Shine Corporate leading their emerging practice areas, growing new areas from \$2m to \$50m in revenue
- Prior positions as MD of PRDnationwide and Verifact and NED of Oliver Hume Corporation
- Bachelor of Laws, Master of Laws, MBA and Grad Dip in Applied Corporate Governance

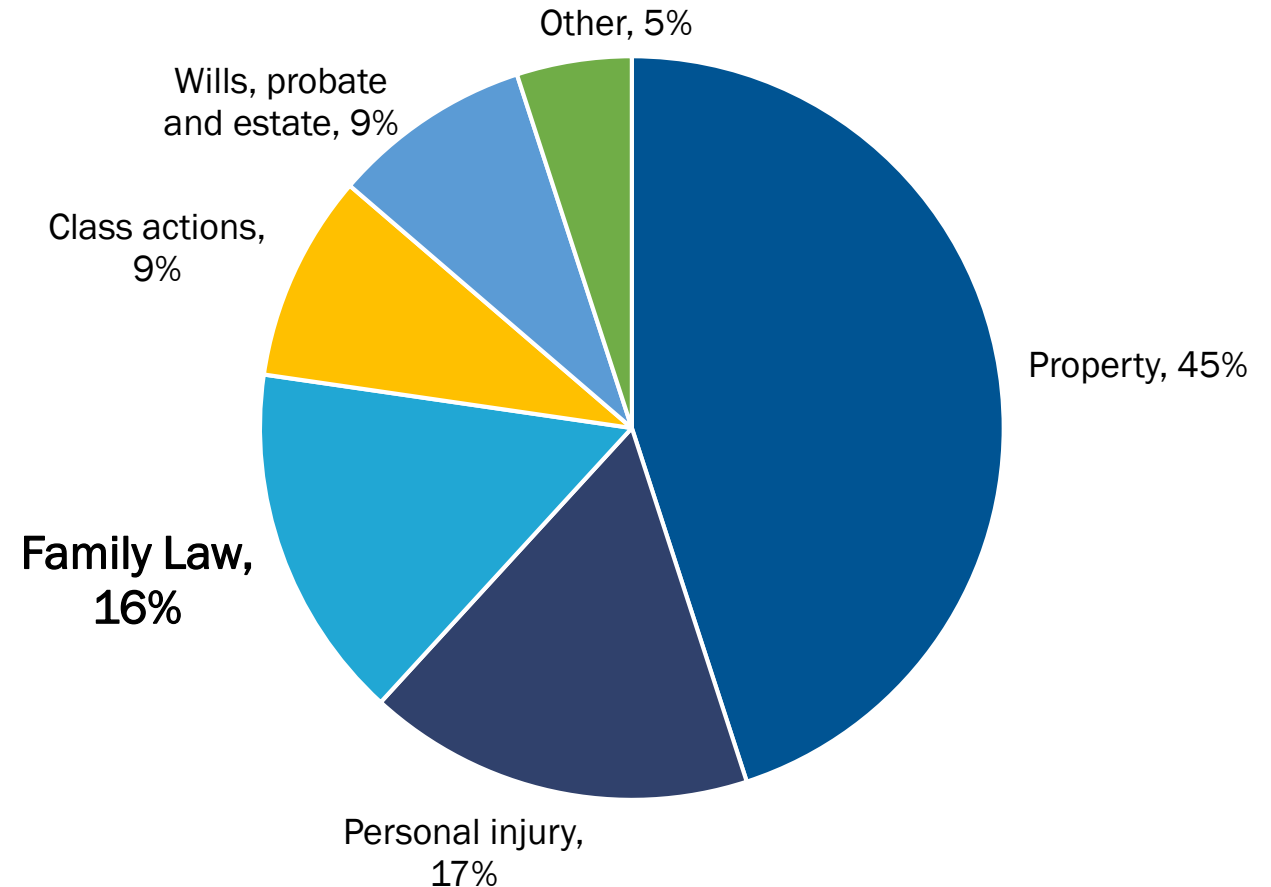
# Family law is a large, highly fragmented market



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- We primarily operate in the **Personal Legal Services** market worth an estimated \$6.8bn
- **Family Law** market = ~\$1.1bn, 3rd largest
- **Very fragmented sector**; estimated that 45% of all firms employ less than 20 staff and few operate outside their home city
- In contrast to personal injury law (e.g. Shine, Slaters), there is **no dominant or national player in the family market** despite the fact the markets are of a similar size = opportunity
- The family law system is primarily governed by federal law and implemented by the federal courts. The ALRC<sup>1</sup> is currently reviewing particular aspects of the system which are not expected to impact AFL

**Personal Legal Services Market (2018-19)**



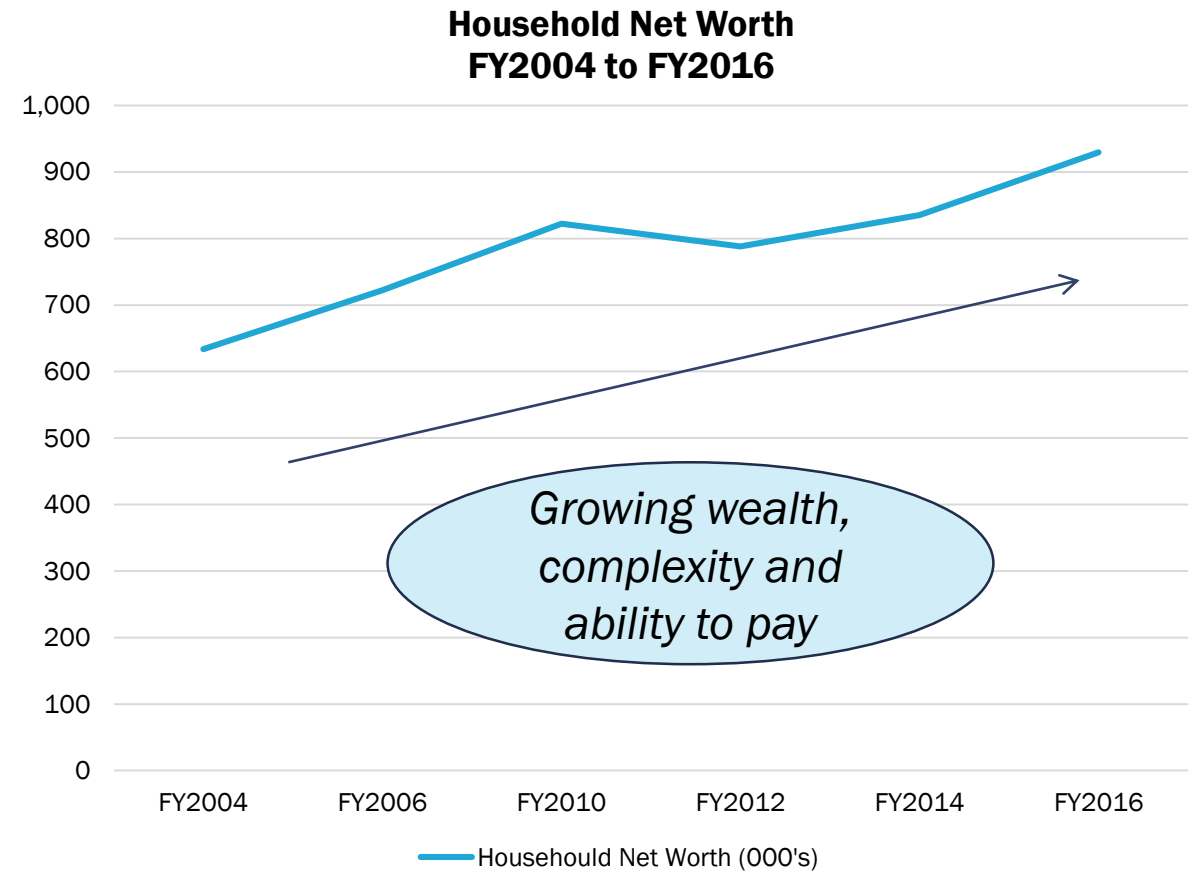
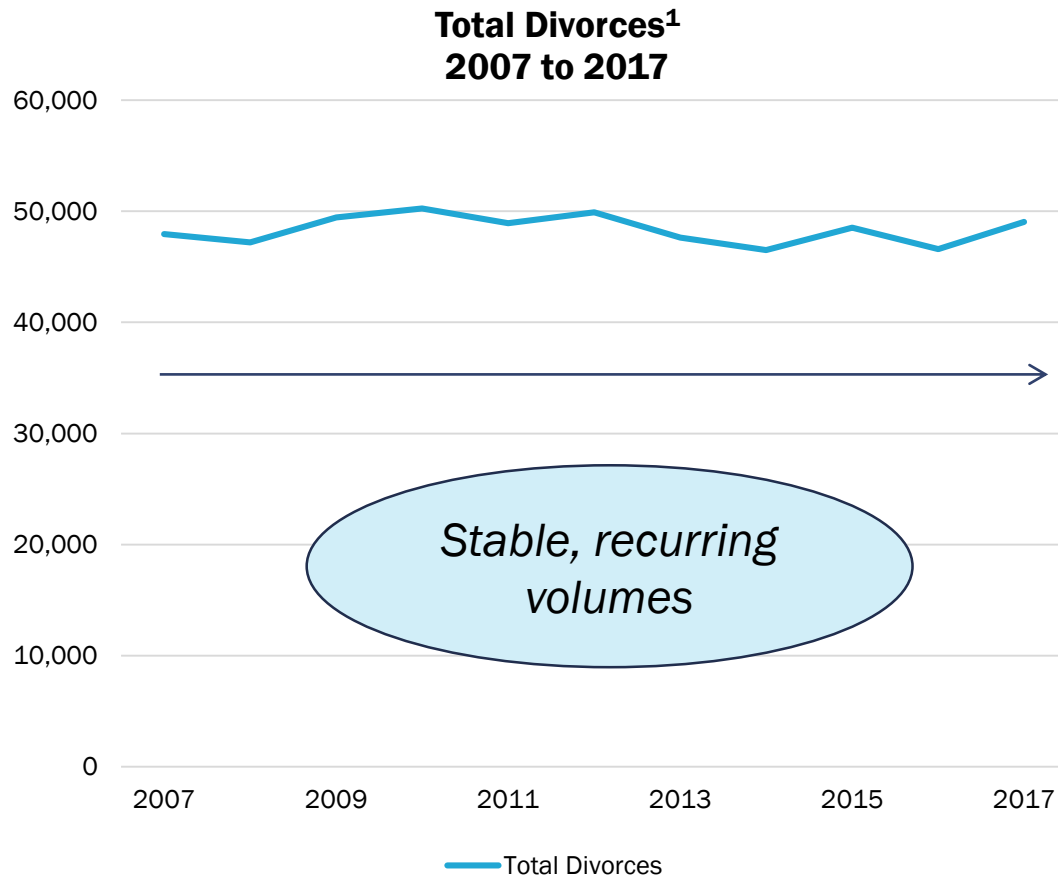
1. Australian Law Reform Commission  
Source: Research conducted by management

# Market exhibits defensive characteristics with growth potential



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**Long-term stable volumes, an increase in defacto relationships and rising net worth creating larger asset pools and more complex separations = attractive market**



Source: Australian Bureau of Statistics

1. The number of total divorces cannot be viewed in isolation as there is an increased prevalence and breakdown of de facto relationships (which are treated akin to marriage) but are not captured in total divorce numbers

# Our Story So Far



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In 2015, Edward Finn saw an opportunity to create a **disruptive law firm** that **challenged the conventional wisdom of relationship driven business development** and proposed a solution to develop a **new model driven by data and digital marketing**. With a background in online businesses, Edward combined a disruptive client acquisition model with a cost effective and scalable operating model to target a fast growing and fragmented area of law which is ripe for consolidation

## Our “Family Law” Offering

Divorce  
Property Settlement  
Spousal Maintenance

Children’s Matters  
Family Violence  
Appeals

## Key Metrics<sup>1</sup>

**27%** EBITDA margins YTD December FY19

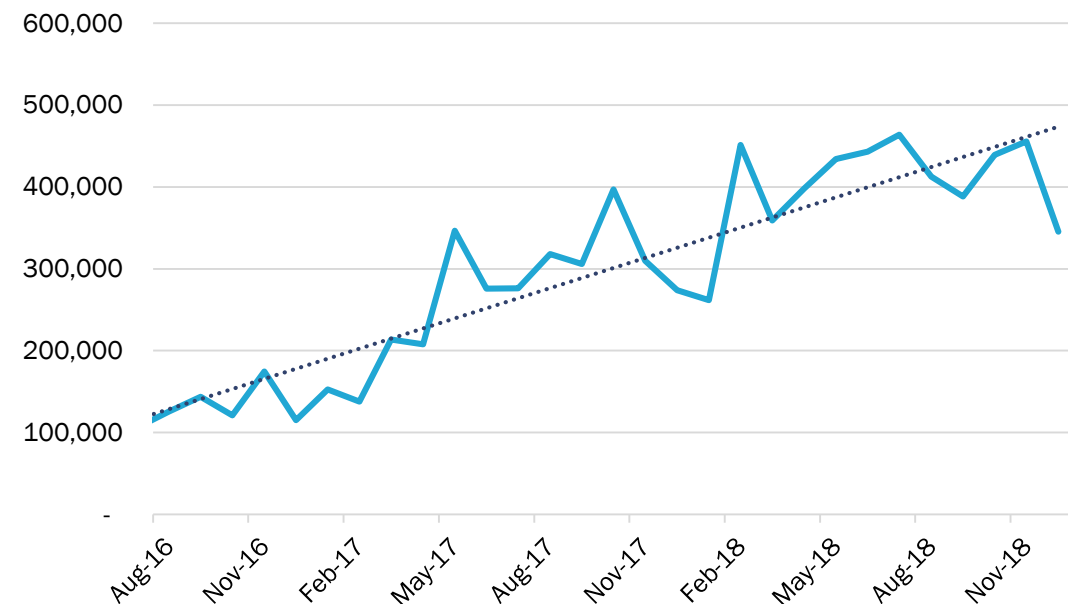
**87%** revenue growth in FY18

**29%** revenue growth YTD December FY19

● Sydney

● Melbourne

## Monthly Revenue<sup>2</sup>



1. Consolidated pro-forma Profit & Loss comprising Audited Accounts for AFL and management accounts for Walls Bridges  
2. Monthly revenue based on audited and auditor reviewed accounts for AFL only (excludes NAV and Walls Bridges)

# Our business model differentiates us from the competition



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	Typical Traditional Firms	AF Legal
<b>Client acquisition model</b>	<ul style="list-style-type: none"><li>Referral based, non targeted, high cost</li></ul>	<ul style="list-style-type: none"><li>Very targeted, low cost</li></ul>
<b>Key person risk</b>	<ul style="list-style-type: none"><li>Majority of revenue generated by individuals</li><li>Goodwill remains in the individual not the firm</li></ul>	<ul style="list-style-type: none"><li>Majority of revenue generated from client acquisition model</li><li>Limited key man risk; goodwill remains in the firm</li></ul>
<b>Organisational chart</b>	<ul style="list-style-type: none"><li>Hierarchical – decreases leverage and profitability</li><li>Large amount of support staff</li></ul>	<ul style="list-style-type: none"><li>Flat – maximises leverage and reduces reliance on individuals</li><li>Minimal support staff (scalable BPO model)</li></ul>
<b>Fee model</b>	<ul style="list-style-type: none"><li>Often fees are not received till completion</li><li>Can be contingent on “no win no fee” basis</li></ul>	<ul style="list-style-type: none"><li>Minimal work is done on contingency</li></ul>
<b>Work in progress</b>	<ul style="list-style-type: none"><li>Typically, high work in progress amounts due to length of cases and uncertainty of success</li></ul>	<ul style="list-style-type: none"><li>Clear milestones that enable work to be billed throughout the matter</li></ul>
<b>Resourcing</b>	<ul style="list-style-type: none"><li>Consistently manage resourcing and utilisation based on unclear forward demand for work</li></ul>	<ul style="list-style-type: none"><li>Staff resourcing and expansion dictated by lead generation metrics</li></ul>
<b>Scalability</b>	<ul style="list-style-type: none"><li>Expansion limited to hiring of key partners in new regions, states etc</li></ul>	<ul style="list-style-type: none"><li>Client acquisition model provides the opportunity to scale with reduced reliance on senior lawyers</li></ul>

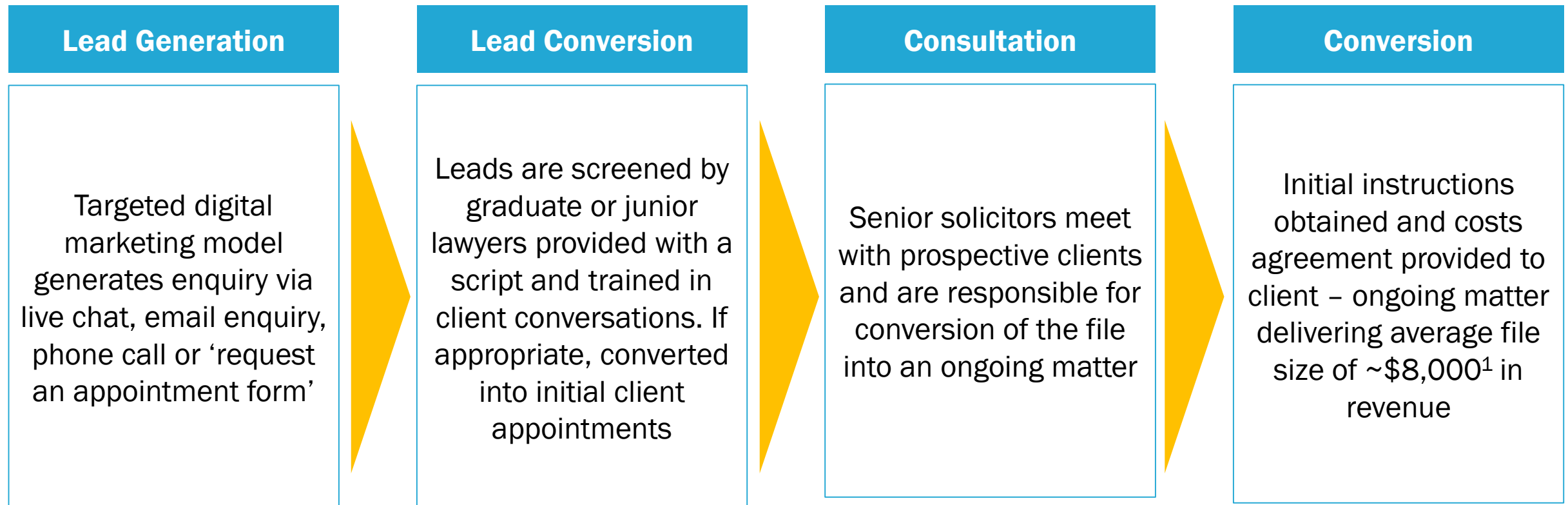
Source: Management

# What makes us unique? Our Client Acquisition Model...



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**We utilise digital marketing techniques employed by various online industries in an innovative way in the context of the legal industry**



1. Management estimate for the 2018 calendar year

# DSAS – Difficult to replicate our innovative process



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## Data

- More than 3 years of data from which our campaigns are devised and optimised
- Volume of data puts AFL in a position to acquire more clients at a lesser cost per conversion

## Strategy

- Internally devised and co-ordinated strategy (third party providers with highly-specialised discrete skill sets selected to execute the strategy)
- Enables AFL to control the entire marketing process which in turn enhances our competitive advantage and ensures our strategy closely aligns with our operating model
- It also means that the process by which clients are acquired is complemented by the sales and conversion process

## Acquisition

- AFL uses an array of sophisticated, complementary techniques to originate clients including Search Engine Optimisation (SEO), Pay Per Click (PPC), Social Media, Prospecting, Retargeting and Electronic Direct Mail (EDM) campaigns
- Many of these techniques are underpinned by algorithmic procedures to synthesise common data points and improve the efficiency of campaigns whilst also continuously reducing the cost of originating clients

## Sales Conversion

- Systemised sales and conversion process which qualifies enquiries and enhances the prospect of meritorious initial enquiries converting to an ongoing client

# Our model produces different financial metrics versus peers

Our model is **different to typical competitors** due to:

- Appropriate resources hired based on volume and value of leads forecast using data analytics
- Innovative use of third party hardware and software delivers operating efficiencies
- Elimination of reliance on admin staff – we outsource in lieu of traditional secretarial services (including use of outsourced BPO)
- Solicitors largely self-reliant – decreases costs and increases responsiveness and file velocity

% of revenue	Industry <sup>1</sup>	AF Legal <sup>2</sup>
Indirect Labour Cost	16%	2%
Total Labour Cost %	54%	45%
Overhead Costs (ex premises)	38%	25%
Marketing Expenses	3%	6%
Lock-up Days <sup>3</sup>	176	79
Profit Before Tax <sup>4</sup>	12%	36%

1. Australasian Legal Practice Management Association (ALPMA) Benchmark Data 2017 <\$5m turnover cohort

2. Management Estimates from H1 FY19 auditor reviewed accounts for AFL and management accounts for Walls Bridges (excludes pro-forma head offices costs)

3. Lock up Days (Debtors & WIP) only provided in 2016 survey

4. Profit before tax based on H1 FY19 auditor reviewed accounts for AFL and management accounts for Walls Bridges (excludes pro-forma head office costs)

# We have a different business model to personal injury lawyers



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- We have a very different model to personal injury lawyers such as Shine (SHJ.AX) and Slaters & Gordon (SGH.AX), with significantly less WIP and minimal contingent fees
- Key **differences** are:
  - We rarely undertake work on a contingency basis
  - We limit key man risk through our client acquisition model
  - We carry lower WIP balances and debtors days
  - We take minimal client risk on our balance sheet

	Typical personal injury lawyers	AF Legal
<b>Service offering</b>	<ul style="list-style-type: none"><li>• Personal injury litigation</li></ul>	<ul style="list-style-type: none"><li>• Family law</li></ul>
<b>Fee model</b>	<ul style="list-style-type: none"><li>• Contingency basis - “No Win, No Fee”</li><li>• Fees not received until completion</li></ul>	<ul style="list-style-type: none"><li>• Limited work is done on a contingency basis</li></ul>
<b>Key man risk</b>	<ul style="list-style-type: none"><li>• Majority of revenue generated by individuals</li><li>• Goodwill remains in the individual not the firm</li></ul>	<ul style="list-style-type: none"><li>• Majority of revenue generated from digital lead generation</li><li>• Limited key man risk</li></ul>
<b>WIP recoverability</b>	<ul style="list-style-type: none"><li>• High WIP due to length of case cycles</li><li>• Difficult to estimate “probability” of success</li></ul>	<ul style="list-style-type: none"><li>• Minimal work in progress</li><li>• Limited work on contingency</li></ul>
<b>Lock up days</b>	<ul style="list-style-type: none"><li>• ~150+ days</li></ul>	<ul style="list-style-type: none"><li>• ~79 days</li></ul>

# Pro-forma Profit & Loss Overview

Y/E 30 June <sup>1</sup>	FY17	FY18	H1 FY18	H1 FY19
Income	2,562,137	4,788,850	2,185,858	2,825,852
Expenses	(2,424,491)	(3,594,888)	(1,565,373)	(2,095,534)
<b>Reported EBITDA</b>	<b>137,646</b>	<b>1,193,962</b>	<b>620,485</b>	<b>730,318</b>
Adjustments <sup>2</sup>	(115,581)	(79,361)	(25,572)	33,794
<b>Underlying EBITDA</b>	<b>22,065</b>	<b>1,114,601</b>	<b>594,913</b>	<b>764,112</b>
Depreciation and amortisation	(10,047)	(12,287)	(6,143)	(7,603)
<b>Underlying EBIT</b>	<b>12,018</b>	<b>1,102,314</b>	<b>588,770</b>	<b>756,509</b>
Interest expense	(64,102)	(81,470)	(39,676)	(41,329)
<b>Underlying PBT</b>	<b>(52,084)</b>	<b>1,020,844</b>	<b>549,094</b>	<b>715,179</b>

## Key financial metrics

Revenue growth %		86.9%		29.3%
Underlying EBITDA margin %	0.9%	23.3%	27.2%	27.0%
Underlying EBITDA growth %		4951.5%		28.4%

## Commentary

- Pro-forma Profit & Loss comprises audited / auditor reviewed accounts for AFL and management accounts for Walls Bridges
- Adjustments include the removal of non recurring or unusual historic costs and pro-forma head office costs associated with the listing (e.g. new Board, ASX etc)
- FY17 represented the second full year of AFL's operations, as it continued to refine its digital marketing platform and recruit fee-earners that suited the model
- The FY18 result reflected initiatives launched in FY17 and an increase in fee-earners in Melbourne and profitability from the Sydney office (opened in February 2017) – this momentum has continued into FY19

1. Consolidated pro-forma Profit & Loss comprising Audited Accounts for AFL and management accounts for Walls Bridges

2. Adjustments include (1) removal of historic costs that are considered non recurring or unusual in nature and (2) pro-forma head office expenses associated with the listing (\$487,000 p.a.)

# Pro-forma Balance Sheet Overview



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31 December 2018	Auditor Reviewed	\$4.0m Raise	\$6.5m Raise
Cash and cash equivalents	526,857	1,062,526	2,224,529
Receivables	30,528	1,370,429	1,370,429
Other current assets	-	30,530	30,530
<b>Total current assets</b>	<b>557,385</b>	<b>2,463,486</b>	<b>3,625,489</b>
Intangibles	-	55,625	55,625
Goodwill & non current assets	-	6,003,400	6,003,400
<b>Non current assets</b>	<b>-</b>	<b>6,059,025</b>	<b>6,059,025</b>
<b>Total assets</b>	<b>557,385</b>	<b>8,522,511</b>	<b>9,684,514</b>
Payables	63,985	540,356	527,337
Borrowings	-	1,206,905	58,868
Deferred consideration	-	500,000	500,000
Other liabilities	-	392,941	392,941
<b>Total liabilities</b>	<b>63,985</b>	<b>2,640,203</b>	<b>1,479,146</b>
<b>Net assets</b>	<b>493,400</b>	<b>5,882,308</b>	<b>8,205,367</b>

## Commentary

- Pro-forma Balance Sheet for NAV as at 31 December 2018 shows the following:
  - Statutory auditor reviewed accounts with no raise
  - a minimum (**\$4.0m raise**), which would partly extinguish external borrowings and provide over \$1.0m cash on the balance sheet for growth
  - a maximum (**\$6.5m**) raise, which would largely extinguish all external debt and provide over \$2.2m cash on the balance sheet for future growth
- AFL has a capital light business model with minimal capital expenditure and modest working capital requirements
- Goodwill arises from the acquisitions of AFL and Walls Bridges by NAV

Source: Consolidated pro-forma Balance Sheet as at 31 December 2018 including Auditor reviewed accounts for AFL and NAV and management accounts for Walls Bridges

# Cash Flow Overview

Y/E 30 June	FY17	FY18	H1 FY19
Receipts from customers	2,634,576	4,013,515	2,341,037
Payments to suppliers and employees	(2,253,237)	(3,427,206)	(1,786,134)
Interest paid	(64,102)	(81,470)	(41,329)
Income tax paid	(113,156)	(121,845)	-
<b>Operating cash flow</b>	<b>204,081</b>	<b>382,994</b>	<b>513,574</b>
Payments for property, plant and equipment	(10,136)	(15,200)	(17,845)
<b>Investing cash flow</b>	<b>(10,136)</b>	<b>(15,200)</b>	<b>(17,845)</b>
Related party loan drawings / advances	(555,629)	(505,453)	(410,054)
External loan draw down (repayment)	15,698	163,926	(81,046)
<b>Financing cash flow</b>	<b>(539,931)</b>	<b>(341,527)</b>	<b>(491,100)</b>
<b>Net cash flow</b>	<b>(345,986)</b>	<b>26,267</b>	<b>4,629</b>

## Commentary

- Cash flow shown is for AFL only and excludes NAV and Walls Bridges
- AFL's cash flow from operations in H1 FY19 demonstrate the underlying cash flow potential of the model as it matures – interest costs will be reduced or removed as a result of the \$4.0m-\$6.5m raising
- Investing cash flow for the business (e.g. capital expenditure) is minimal reflecting the capital light business model of AFL
- **Financing cash flows shown here include historical non recurring related party loan drawings extended to the vendor of AFL which will be discontinued as part of the Proposed Transaction**

# Strategy to grow the business



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## Start Up

- Validated marketing model
- Obtained profitability
- Built team
- Estimated market share of ~1% as at 30 June 2018 (~500 files)

Establish

*Complete*



## Scale Up

- Build out Melbourne presence
- Grow market share – repeat Melbourne formula in Sydney
- Enter new geographies (e.g. Brisbane, Gold Coast)
- Execute selective acquisitions to build scale / presence

Drive Top-line and Build Scale

*Current*



## Accelerate Growth

- Move into new “add-on” services (eg. funding)
- Expand into adjacent sectors (e.g. wills and estates)
- Assess larger scale acquisitions

Leverage Scale and Brand Equity

*Long Term*

# Strong organic growth platform will be supplemented by acquisitions for entry into new markets



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Our acquisition strategy is intended to provide the group with the following immediate benefits:

- ✓ **First mover advantage** – the first national, specialist family law platform
- ✓ **Critical mass** – the largest network of accredited family law specialists in Australia
- ✓ **Economies of scale** – cost savings from the replication of our model can be reinvested in marketing without diluting margins
- ✓ **Value arbitrage** – we are buying at “small business” multiples before any synergies (e.g. back office, infrastructure, centralised marketing etc)



AFL has a **selective and disciplined acquisition criteria** focused on 3 key pillars:

- 1 **Value** – meet earnings accretion metrics for shareholders
- 2 **Model** – provide clear path to implement client acquisition and business model (e.g. culture, people, systems etc)
- 3 **Strategy** – add to strategic purpose (e.g. new geographies, add scale, new business lines etc)

# 100 day plan objectives post listing



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<b>Revenue</b>	Conduct benchmark exercise to compare AFL fees with competitors. Last price increase was implemented in February 2016 and anecdotally solicitors believe their rates can be increased Investigate additional revenue streams from internal digital and external referral sources
<b>Organisational structure</b>	Recruit additional senior management to support the future growth of the business. This will also release the Managing Director to focus on M&A, national expansion and continued optimisation of DSAS
<b>Performance management</b>	Performance management of human capital is currently reflective of a fast growing private business. Post listing, the Executive Chairman will be working with the Managing Director to introduce best practice performance management to optimise employee performance
<b>Marketing platform</b>	Transition to salesforce CRM will further improve the effectiveness of DSAS. The appointment of the Executive Chairman and recruitment of additional senior management post listing will also release the Managing Director to focus on the continued optimisation of DSAS
<b>Debtor management</b>	Existing debtor management practices can be further improved by aligning solicitor rewards to reduction in debtors, recruiting a debtors clerk and implementing a new policy to cease work on files if fees remain outstanding for more than 60 days

# Strong management team and board post listing



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<b>Grant Dearlove</b> Executive Chairman	<ul style="list-style-type: none"><li>• 27 years experience as a lawyer and company director, owning, leading and growing private and ASX listed companies</li><li>• At Shine Corporate, led the growth of “emerging practice areas” (including family law) growing sales from \$2m to over \$50m during his tenure</li></ul>
<b>Edward Finn</b> Managing Director	<ul style="list-style-type: none"><li>• Founder and Managing Director of AFL</li><li>• Prior to founding AFL, worked as a lawyer for a general service firm with an emphasis on family law and co-founded an online travel guide and online retailer</li></ul>
<b>Peter Bergin</b> Chief Financial Officer	<ul style="list-style-type: none"><li>• Currently Chief Financial Officer of AFL</li><li>• Current partner of Prime Capital, the advisory division of ASX listed Prime Financial Group and also a partner of the legal services consulting firm, ECP</li></ul>
<b>Glen Dobbie</b> Non Executive Director	<ul style="list-style-type: none"><li>• Current Executive Director of Navigator Resources Limited</li><li>• Over 10 years private equity and operational management experience across a variety of industries including education, media, infrastructure, waste management and technology</li></ul>

# Merger with Navigator Resources Ltd (ASX: NAV)



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Capital Structure	\$4.0m raising	\$6.5m raising
Shares outstanding <sup>1</sup>	50,536,185	63,036,185
<b>Market Capitalisation</b>	<b>\$10.1m</b>	<b>\$12.6m</b>
(Net Debt) / Surplus Cash	(\$0.2m)	\$2.2m
<b>Enterprise Value</b>	<b>\$10.3m</b>	<b>\$10.4m</b>

% shareholdings <sup>1</sup>	\$4.0m raising	\$6.5m raising
Existing NAV Shareholders	38.9%	31.1%
Vendor Consideration	21.5%	17.3%
New Shareholders from Offer	39.6%	51.6%

1. This includes approximately 19.7m existing NAV shares, 10.9m Vendor shares and 20.0m new shares (post consolidation) at the minimum raising. Subject to the Proposed Transaction completing, as at the date of this Prospectus all existing optionholders have executed deeds to cancel their outstanding Options, which will result in the cancellation for nil consideration of 50,000,000 unlisted Options (on a pre-Consolidation basis) exercisable at \$0.02 per Option on or before 18 March 2020

2. An additional \$500,000 earn out is payable in two equal instalments where the last 6 months normalised EBITDA for AFL in any half year period exceeds \$1,000,000

Uses of funds	\$4.0m raising	\$6.5m raising
Part cash consideration <sup>2</sup>	2,500,000	2,500,000
Repayment of AFL debt	-	1,200,000
Repayment of related party debt	325,000	325,000
Working capital	206,502	1,316,542
Transaction costs	968,498	1,158,458
<b>Total</b>	<b>4,000,000</b>	<b>6,500,000</b>

- NAV is acquiring 100.0% of AFL from the Vendor for total enterprise value of \$6.7m comprising \$2.5m in cash consideration, \$0.325m in repaid debt, \$2.175m in NAV shares, \$1.2m of acquired debt and a \$0.5m earn out which is payable in two equal instalments where the last 6 months normalised EBITDA for any half year period exceeds \$1.0m
- The Vendor and NAV directors (current and proposed) have agreed to escrow their shareholdings for 2 years and 1 year respectively (representing 36.2% of issued capital at the \$4.0m raise)

# Indicative timetable

Extraordinary General Meeting	8 April 2019
Bookbuild	28 March 2019
Lodgement of Prospectus with ASIC	29 March 2019
Offer opens	3 April 2019
Offer closes	29 April 2019
Allotment of New Shares under the Public Offer	30 April 2019
Completion of Proposed Transaction	30 April 2019
Dispatch of holding statements	1 May 2019
Anticipated date the Company's Shares re-commence trading on ASX under the ASX code "AFL"	10 May 2019

The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to close the Offers early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Potential Applicants who wish to submit an Application are encouraged to do so as soon as practicable after the Public Offer opens.

# Why Invest?



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Disrupting the way law firms acquire clients whilst limiting key man risk



Defensive growing industry with tailwind drivers



Fragmented industry ripe for consolidation (first mover advantage)



Strong profit margins with dividend payout potential



Strong management team / board



Undemanding valuation with strong growth potential

<b>Reliance on marketing strategy</b>	A key pillar underpinning AFL's business model is its innovative digital marketing strategy. AFL uses innovative and cost-effective digital marketing techniques to acquire clients. There is no guarantee, however, that AFL's marketing strategy will continue to be successful and lead to attracting clients. If the strategy (or subsequent revised strategies) is not successful, AFL's future profitability will be adversely impacted.
<b>Regulatory environment and legal reform</b>	AFL operates in the legal industry, which is subject to significant regulatory and legal oversight. Its business operations could be adversely affected by actions of State, Territory and Commonwealth governments as well as other regulatory bodies. Changes in government legislation, guidelines and regulations in the areas of law in which the firm practises, such as decreases in the maximum amount of legal fees which can be recovered could also adversely affect the Company. The Australian Government has already announced a proposal for structural reforms to the federal courts (including the Family Court of Australia). This is expected to remove the backlog of cases currently in the system and allow a smoother passage of cases through the Family Court. A review of the family law system is currently being conducted by the Australian Law Reform Commission. A discussion paper was issued in October 2018, inviting submissions on the proposals and recommendations, and final recommendations are due to be tabled in March 2019. A number of proposals may impact upon the AFL business including raising awareness of the 'Advice and Support' systems available, and reshaped dispute resolution and adjudication procedures, and simplification of processes for smaller property pools.
<b>Conflict of duties</b>	Lawyers have a primary duty to the Courts and a secondary duty to their clients. There could be circumstances in which the lawyers of AFL are required to act in accordance with these duties and contrary to other corporate responsibilities and against the interests of Shareholders and the short-term profitability of the Company. An example is in settlement negotiations where AFL's duty to its client would be favoured over any short-term cash flow or funding needs of AFL's business.
<b>Reliance on key personnel</b>	AFL relies on the experience and knowledge of its management team. In particular, AFL is substantially dependent on the continued service of its founder and Managing Director, Edward Finn, as well as other existing legal personnel. AFL is also dependent on its ability to recruit and retain suitably qualified personnel, including lawyers with the requisite experience in AFL's practice areas. If such key personnel leave their employment or engagement with AFL, or AFL was unable to recruit suitable replacements or attract additional personnel when required, such loss or inability to attract new personnel could have a materially adverse effect on AFL's business and operational performance and financial results.
<b>Professional liability and uninsured risk</b>	The provision of legal advice by AFL gives rise to the risk of potential liability for negligence or other client claims. Any such claims may cause financial and reputational damage to AFL. Although AFL maintains professional liability insurance to mitigate the financial risk, AFL's profitability may be adversely affected in the event that the insurance does not cover a potential claim (e.g. due to some disqualifying act of the lawyer involved), the claim exceeds the coverage available or the deductible on numerous claims in a period is material.
<b>Reliance on third party providers</b>	AFL's competitive edge is its innovative digital marketing strategy that is distinct from how traditional law firms acquire clients. However, in implementing this strategy, AFL relies on third parties to provide paid marketing services. If there was a significant disruption to, or decline in the quality of, these services, it is likely that AFL would suffer a disruption to its operations and financial performance could be adversely impacted.
<b>Failure to retain or attract clients</b>	AFL's business depends on its ability to retain existing clients and, more importantly, attract new clients. There is a risk that AFL's clients reduce the use of its services or that AFL fails to attract new clients, both of which will have an adverse impact on revenue and growth. This is exacerbated by the non-recurrent nature of family law work, meaning successful attraction of new clients is paramount to the viability of the AFL business. AFL's ability to retain existing clients and attract new ones depends on many factors including the effectiveness of its digital marketing strategy, the quality of its service, cost effectiveness and pricing compared to its competitors. In addition, clients' use of AFL's services may be affected by external factors including changes to laws and regulations which affect the family and relationship law landscape.

# Risks (continued)



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<b>Changes in technology</b>	The use of technology in the legal industry has evolved in recent years. In particular, advances in artificial intelligence threaten to replace many functions traditionally performed by lawyers (e.g. discovery and contract drafting), which has increased the pressure on law firms to provide more innovative and cost-effective services. AFL's success will depend, in part, on its ability to grow its business in response to changing technologies, client and/or user demands and competitive pressures. Failure to do so may impact the success of AFL's business. Further, the cost of responding to changing technologies is unpredictable and may impact AFL's profitability.
<b>Competition</b>	The legal industry is a highly competitive global industry. There is a risk that existing or new global and domestic competitors could gain market share through product innovation, price discounting or aggressive marketing campaigns which would have an adverse impact on AFL's revenue and profitability. AFL does not have any control over the conduct of its competitors. In addition, there is a risk that AFL could lose clients and market share if it fails to adapt to technological and regulatory changes or client expectations at the same rate as its competitors.
<b>Brand and Reputation</b>	AFL believes that establishing and maintaining its brand in the family law sector is critical to growing its business. This will depend largely on its ability to deliver successful marketing campaigns and produce outstanding results within its existing client base. A number of factors may impact negatively on the AFL brand including the actions of its employees and external industry participants. If AFL fails to successfully establish and maintain its brand, its business and operating results could be adversely affected.
<b>Data loss or corruption and security breaches</b>	AFL's computer systems and the systems of its service providers are integral to its business operations. The provision of legal services is dependent on the proper functioning of these systems. Failures or breaches of those computer systems have the ability to cause disruptions to AFL's business operations. It could also lead to unauthorised disclosure of clients' data, resulting in reputational damage, claims from clients and regulatory scrutiny and fines. This could adversely affect AFL's revenue and financial performance. Although AFL has strategies and protections in place to minimise security breaches and to protect data, these strategies might not be successful.
<b>Concentration of ownership</b>	In the event that the Proposed Transaction completes, there will be a concentration of ownership with AFL (or its nominee) and Mr Edward Finn, the proposed Managing Director and Chief Executive Officer of the Company. Assuming all New Shares and all other Securities to be issued as part of the Proposed Transaction are issued, Mr Finn will hold (via his entity, the AFL Vendor, of which he is the sole shareholder and director) approximately 21.5% of the Company's issued capital on an undiluted basis. This may allow the AFL Vendor (or its nominee) and Mr Finn to exert significant influence over matters relating to the Company, including the election of future Directors or the approval of future transactions.
<b>Additional requirements of capital</b>	While the Board of the Company believes that it will have sufficient funds to meet its growth strategy in relation to the AFL business and has sufficient working capital for the near term, there can be no assurance that such growth strategies can be met without further financing. The Company may also seek to capitalise on opportunities of a kind that will require it to raise additional capital from equity or debt sources. Accordingly, the Company may need to engage in equity or debt financing to secure additional funds. There can be no assurance that the Company will be able to obtain additional capital from equity or debt sources on favourable terms or at all. If the Company is unable to raise capital if and when needed, this could delay, suspend or reduce the scope of the Company's business strategy and could have a material adverse effect on the Company's activities which could adversely affect its business, financial condition and operating results. In addition, any additional equity financing may be dilutive to existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy.
<b>Future profitability of dividends are not assured</b>	No assurance as to future profitability or dividends can be given as these are dependent on future earnings and working capital requirements of the Company and AFL, which are affected by factors beyond the Company's and AFL's control. The Company's dividend policy may be changed by the New Board in its absolute discretion from time to time. Potential investors should note that there can be no guarantees with respect to the payment of dividends and return of capital.

# Risks (continued)



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<b>Change in strategy</b>	AFL's strategy may evolve over time due to a review and assessment of, among other things, market trends, technical challenges, changes in regulations, the level of market acceptance in particular jurisdictions or markets and the emergence of new or improved technology. As a result, the current strategies, approaches, market, products and plans of AFL may not reflect the strategies, approaches, markets, products and plans in this document and may be changed without notice.
<b>Contractual and Acquisition Risk – Share Purchase Deed</b>	Pursuant to the Share Purchase Deed ( <b>SPD</b> ), the material terms of which are summarised in Section 9.1, the Company has agreed to acquire 100% of the issued capital of AFL subject to the fulfilment of certain conditions. There is a risk that the SPD conditions cannot be fulfilled and, in turn, the Proposed Transaction is not completed. If the Proposed Transaction is not completed, the Offers and listing of the Company will not proceed, and funds will be returned in accordance with the Corporations Act. There are execution, due diligence and liability risks associated with the Proposed Transaction. The SPD contains obligations on the parties and conditions which, if not complied with or satisfied, could delay or prevent the Proposed Transaction from completing. The Company has performed due diligence in respect of the Proposed Transaction and sought certain warranty and indemnity protections under the SPD. However, the Company may also suffer loss or damage flowing from historical events and operations of the business acquired, which the Company may be unable to recover from the AFL Vendor under the terms of the SPD.
<b>Economic and government risk</b>	<p>The future viability of the Company after completion of the Proposed Transaction depends upon a number of factors affecting performance of all industries including, but not limited to, the following:</p> <ul style="list-style-type: none"> <li>• general economic conditions in jurisdictions in which the Company and AFL operate;</li> <li>• the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the legal or professional services sector;</li> <li>• movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company and AFL operate; and</li> <li>• natural disasters, social upheaval, terrorism or war in jurisdictions in which the Company and AFL operate. A prolonged deterioration in any number of the above factors may have a material adverse effect on the financial performance, financial position, cash flows, distribution, growth prospects and share price of the Company.</li> </ul>
<b>Taxation</b>	There is a potential for changes in Australia's tax laws. Any current rate of taxes imposed on the Company and AFL is likely to affect returns to Shareholders. An interpretation of taxation laws by the relevant tax authority that is contrary to the Company's view of those laws may increase the amount of tax to be paid. The Company obtains external expert advice on the application of tax laws to its operations.
<b>General economic conditions</b>	Both Australian and world economic conditions may negatively affect the Company's and AFL's performance. Any slowdown in economic conditions or factors such as the level of production in the relevant economy, inflation, currency fluctuation, interest rates, taxation legislation, supply and demand and industrial disruption may have a negative impact on the Company's and AFL's costs and revenue. These changes may adversely affect the Company's and AFL's financial performance and/or financial position.
<b>Accounting Standards</b>	Changes in accounting standards or the interpretation of those accounting standards that occur after the date of this presentation may adversely impact on the Company's reported financial performance and/or financial position.
<b>Force Majeure events</b>	Events such as acts of terrorism, an outbreak of international hostilities or natural disasters may occur within or outside Australia that have an impact on the Company's and AFL's business. Any such force majeure events may have a negative impact on the value of an investment in shares in the Company.

A dark, low-key photograph showing the silhouettes of several people in business attire standing in a room, possibly a meeting or conference. The background is slightly brighter, showing a whiteboard and large windows.

# Thank you



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