

Australian Family Lawyers

AF Legal Group Limited

ASX: AFL

FY19 Results Presentation

August 2019



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ASX Listing Summary

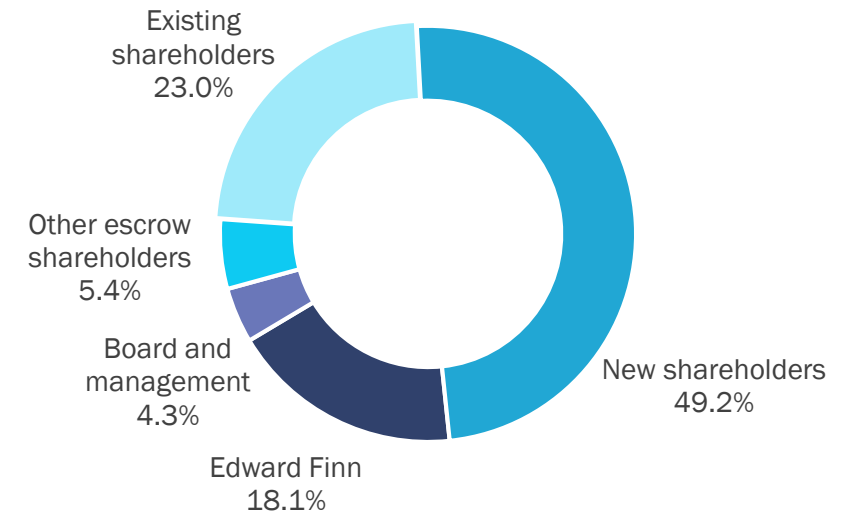
- Prospectus lodged on 29 March 2019
- Successfully listed on 7 June 2019
- Raised \$5.91m via the issue of 29,562,470 shares at \$0.20 per share
- Total shares now on issue is 60,097,008
- No net debt at FY19 year end following listing

Allocation of Funds (\$m)

Sources		Uses	
Issue of new shares	5.91	Debt repayment	1.29
		Vendor payments	2.81
		Transaction costs	1.22
		Remaining cash	0.60
Total Sources	5.91	Total Uses	5.91

Post Listing Share Ownership

- Managing Director Edward Finn holds 18.1%
- Other Board and Management hold a further 4.3%
- 27.8% of total shares under escrow
- Managing Director shareholding escrowed for 2 years – remaining shareholders under escrow for 1 year



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FY19 Performance Highlights

- Strong growth in Underlying Pro forma FY19 Profit & Loss metrics compared to prior year
- Growth primarily driven by continued organic growth in Melbourne and Sydney
- Reported NPATA impacted by non-recurring items associated with the listing

Underlying Pro forma ¹ FY19 Revenue	\$5.34m	Up 12% on prior year ²
Underlying Pro forma ¹ FY19 EBITDA	\$1.33m	Up 20% on prior year ²
Underlying Pro forma ¹ EBITDA Margin	25%	vs 23% in prior year ²
Underlying Pro forma ¹ FY19 NPATA	\$0.90m	Up 27% on prior year ²
Underlying Pro forma ¹ FY19 EPS	\$0.0149cps	Up 27% on prior year ²
Reported FY19 NPATA	\$(1.20)m	Impacted by costs associated with the listing and inclusion of acquisitions for one month (June 2019) only during FY19

Notes:

1. Underlying Pro forma adjusts the unaudited accounts for the year ending 30 June 2019 to include the underlying pro forma full year contribution from the acquisitions of AF Legal (**AFL**) and Walls Bridges (**WB**) as if they were acquired from 1 July 2018, removal of non recurring or unusual historic costs, removal of listing transaction costs and inclusion of pro-forma head office costs associated with the listing
2. Change on prior year is calculated by adjusting the unaudited accounts for the year ending 30 June 2018 to include the underlying pro forma full year contribution from the acquisitions of AF Legal (**AFL**) and Walls Bridges (**WB**) as if they were acquired from 1 July 2017, removal of non recurring or unusual historic costs and inclusion of pro-forma head office costs associated with the listing

FY19 Operating Highlights



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Successful ASX Listing

Successfully listed on the ASX on 7 June 2019 at \$0.20/share

Raised \$5.91m via the issue of 29,562,470 shares at \$0.20 per share

No net debt at FY19 year end following listing

Regional expansion in VIC

Acquisition of Walls Bridges (WB)

- Established Mornington Peninsula Family Law Firm
- Operating since 2013
- Acquisition completed February 2019
- Integration has now been completed including successful roll out of client acquisition platform

State expansion into QLD

Acquisition of Nita Stratton Funk & Associates (NSF)

- Brisbane and Rochdale based specialist Family Law Firm
- Operating since 1999
- Queensland has the highest divorce rate in Australia on a per capita basis
- Acquisition completed in June 2019 and integration program has commenced

Post Listing

Operational Update

- H2 FY19 customer file openings increased ~30% versus H1 FY19
- Employment of experienced Chief Operating Officer
- Roll out of client acquisition platform in Queensland has commenced
- Scoping for Salesforce CRM implementation underway
- Strong pipelines for both acquisition of new firms and recruitment of lateral hires

Acquisitions during FY19



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Overview

- Acquisition completed in February 2019
- Established in 2013
- Acquired for \$53,500
- Acquisition completed in June 2019
- Established in 1999
- Acquired for \$400,000

Operating Model

- Walls Bridges and Nita Stratton Funk & Associates will maintain their brands in the market incorporating the AFL brand association
- Synergies will be derived from “front office” marketing integration and shared “back office” functions (e.g. IT, finance and admin)

Strategic Benefits

- | | |
|------------------------------------|---|
| Geographic reach | <ul style="list-style-type: none">• Increased national scale, brand recognition and reach, with the combined group now having an expanded geographical presence in Melbourne CBD, Regional Victoria, Sydney CBD and Brisbane CBD |
| Complementary service lines | <ul style="list-style-type: none">• Opportunity to build on strategically important adjacent service lines (e.g. prenups, mediation) |
| Scale | <ul style="list-style-type: none">• Broader base of personnel and other resources to pursue growth initiatives, together with an expanded referral network nationwide |
| Operational efficiencies | <ul style="list-style-type: none">• Longer term opportunities for improved utilisation, operational efficiency and profitability through leveraging corporate services, IT systems, resources and other infrastructure across the group |

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FY19 Underlying Income Statement

- Strong growth in Underlying Pro forma FY19 Profit & Loss metrics compared to prior year
- Growth was primarily driven by continued organic growth in Melbourne and Sydney (growth rates would have been higher if not for a short term drop off in revenue at Walls Bridges immediately prior to acquisition)
- H2 FY19 customer file openings increased ~30% versus H1 FY19
- Reported NPATA impacted by non-recurring items associated with the listing

\$m (consolidated)	Reported ¹	Pro forma Adjustments ²	Underlying Pro forma ³	Change on Prior Year ⁴	Underlying Pro forma (incl. NSF) ⁵
Revenue	0.43	4.91	5.34	+12%	6.23
EBITDA	(1.16)	2.49	1.33	+20%	1.56
NPATA	(1.20)	2.10	0.90	+27%	1.06
EBITDA margin (%)	n/a	n/a	25%	+2%	25%

Notes:

1. Reported figures as per unaudited accounts for year ending 30 June 2019
2. Pro forma adjustments include adjustments relating to the underlying pro forma full year contribution from the acquisitions of AF Legal (AFL) and Walls Bridges (WB) as if they were acquired from 1 July 2018, removal of non recurring or unusual historic costs, removal of listing transaction costs and inclusion of pro-forma head office costs associated with the listing
3. Underlying Pro forma adjusts the unaudited accounts for the year ending 30 June 2019 to include the underlying pro forma full year contribution from the acquisitions of AF Legal (AFL) and Walls Bridges (WB) as if they were acquired from 1 July 2018, removal of non recurring or unusual historic costs, removal of listing transaction costs and inclusion of pro-forma head office costs associated with the listing
4. Change on prior year is calculated by adjusting the unaudited accounts for the year ending 30 June 2018 to include the underlying pro forma full year contribution from the acquisitions of AF Legal Pty Ltd (AFL) and Walls Bridges (WB) as if they were acquired from 1 July 2017, removal of non recurring or unusual historic costs and inclusion of pro-forma head office costs associated with the listing
5. Underlying Pro forma (incl. NSF) adjusts the unaudited accounts for the year ending 30 June 2019 to include the underlying pro forma full year contribution from the acquisitions of AF Legal (AFL), Walls Bridges (WB) and Nina Stratton Funk (NSF) as if they were acquired from 1 July 2018, removal of non recurring or unusual historic costs, removal of listing transaction costs and inclusion of pro-forma head office costs associated with the listing

FY19 Statutory Balance Sheet and Cash Flow



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- Statutory reported cash flow and balance sheets shown below are not reflective of the underlying cash flows of the business (i.e. the acquisitions are only included for one month during FY19 and do not include pro forma full year contributions but do include costs associated with the listing etc)
- Following the capital raising and listing, the balance sheet remains strong
- Net debt at the end of FY19 was nil

Balance Sheet

\$m (consolidated)	Reported FY19
Cash and cash equivalents	1.05
Trade and other receivables	2.00
Other assets	0.18
Fixed & Intangible Assets	6.68
Total Assets	9.92
Trade Payables	1.89
Deferred Consideration	0.60
Bank Debt	0.28
Other Liabilities	0.02
Total Liabilities	2.79
Net Assets	7.13

Cash Flow

\$m (consolidated)	Reported FY19
Receipts from customers	0.33
Payments to suppliers and employees	(1.60)
Operating Cash Flow	(1.27)
Payments for business combinations	(3.16)
Payments for deferred consideration	(0.03)
Investing Cash Flow	(3.19)
Proceeds from share issue (net of costs)	5.46
Proceeds from borrowings	(0.65)
Financing Cash Flow	4.81
Net Cash Flow	0.35
Cash at Year End	1.05

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Where are we going?



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Start Up (since 2017)

- Validated marketing model
- Achieved >\$5m revenue
- Secured access to capital via ASX
- Expanded into 3 new regions via organic growth (Sydney) and acquisition (Brisbane, Mornington)

Establish

Complete



Scale Up

- Grow market share – repeat Melbourne formula in Sydney, Brisbane and Mornington
- Enter new geographies
- Execute selective acquisitions and lateral hires to build scale
- Build sustainable growth platform

Drive Top-line and Build Scale

Today



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

Organic Growth

- Expand into new geographic markets
- Continue to build pipeline of lateral hires in new and existing markets

Acquisitions

- Complete acquisition integration of NSF (WB completed)
- Continue to build pipeline of acquisition opportunities based on acquisition criteria

Complementary Services

- Grow and establish complementary services lines
- Develop “preferred referral” framework for counterparties

Systems

- Conduct detailed IT review
- Roll out Salesforce CRM
- Plan implementation of new ERP to support existing growth and case flow management

People

- Attract talented new team members
- Retain & develop senior management team
- Roll out incentive plans

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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