

Australian Family Lawyers

AF Legal Group Limited

ASX: AFL

Half Year Results Presentation

February 2020



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Our Story So Far



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- From kitchen table to the first family law firm listed on the ASX
- AFL has achieved in 4 years scale that takes most family law firms decades
- Family law in Australia is a \$1.1bn industry
- Highly fragmented - there is no national specialist family law firm in Australia – big opportunity!
- AFL currently has market share of ~1%

Our “Family Law” Offering

Divorce	Children’s Matters
Property Settlement	Family Violence
Spousal Maintenance	Binding Financial Agreements



One Page Strategic Plan



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Core Purpose

- To become Australia's first and largest National Family Law Firm

Core Values

- Think Different; Fanatical customer focus; Under promise, over deliver; Act like an owner; Have fun, always

BHAG

- First and largest global family law firm

Sandbox

- Related family law services
- Middle class Australians; capital cities and key regional towns
- No deferred / contingent matters; no single file more than 5% of revenue

3 Year Target

- ~10% market share across more than 10 locations in Australia

Section 1: FY19 Performance Highlights

Section 2: FY19 Financial Information

Section 3: Strategy and Outlook

FY20 H1 Performance Highlights

- Strong growth in Underlying FY20 H1 Profit & Loss metrics compared to prior year
- Growth primarily driven by continued growth in Sydney and new office contributions from Mornington and Brisbane
- EBITDA (excl. HO) removes head office costs / costs associated with being listed on the ASX to more accurately reflect the underlying operating performance
- ***File openings continue to track strongly - February YTD total file openings up ~30% versus last year***

Underlying ¹ Revenue	\$3.31m	Up 32% on prior year ²
Underlying ¹ EBITDA (excl. HO) ³	\$1.12m	Up 41% on prior year ²
Underlying ¹ EBITDA (excl. HO) ³ Margin	34%	Up 2% on prior year ²
Underlying ¹ EBITDA	\$0.63m	Up 15% on prior year ²
Reported NPATA ⁴	\$0.25m	vs (\$0.20m) in prior year impacted by non-recurring and one off costs

Notes:

1. Underlying adjusts the reviewed accounts for the six months period ending 31 December 2019 to include the removal of non recurring or unusual costs
2. Change on prior year is prepared on the same basis as the six months ending 31 December 2019 and is calculated by adjusting the audited accounts for the six-month period ending 31 December 2018 to include the removal of non-recurring or unusual costs
3. EBITDA (excl. HO) adjusts the reviewed accounts for the six months period ending 31 December 2019 to include the removal of non recurring or unusual historic costs, removal of head office costs and costs associated with being listed on the ASX
4. NPATA means net profit after tax before amortisation
5. Contributions from the acquisitions of Walls Bridges Lawyers and Nita Stratton Funk & Associates are included from the time of acquisition

FY20 H1 Operating Highlights



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Growth Initiatives

- Acquisition integration of NSF and WB completed
- First lateral hires secured in Brisbane and Canberra (new markets)
- Lateral hire expansion plans will aim to replicate the model used for Sydney and Melbourne which achieved ~\$1.5m and ~\$2.5m respectively in the first 18 months of trading
- Strong pipelines for both acquisition of new firms and recruitment of lateral hires continue to exist

Investment in People

- Recruited COO - deemed necessary post listing due to expansion into Brisbane via acquisition and planned lateral hire expansion into Canberra
- Completed One Page Strategic Plan and platform to roll out Gazelles “Rockefeller Habits”
- Engaged staff with “My Plans” to drive individual goal development and rolled out incentive plans

Marketing & Technology

- Recruited online marketing expert to the board, Kevin Lynch and global leading technology and digital marketing talent to the team
- Launched AFL 2.0 after an internal review highlighted further untapped potential in the existing platform and competitive position
- Brought all marketing in house at cost neutral (no use of external marketing agencies)
- Rolled out salesforce.com as our operating platform

Process & Policy Reviews

- Employed stricter debtor policy and management including offshoring collections and billing process
- Developed “preferred referral” framework for counterparties

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FY20 H1 Underlying Income Statement

- Strong growth in Underlying FY20 H1 Profit & Loss metrics compared to prior year
- Growth primarily driven by continued growth in Sydney and new office contributions from Mornington and Brisbane
- EBITDA (excl. HO) removes head office costs / costs associated with being listed on the ASX to more accurately reflect the underlying operating performance
- Reported NPATA comparative impacted by non-recurring items associated with the listing

\$m (consolidated)	Reported ¹	Adjustments ²	Underlying ³	Change on Prior Year ⁴
Revenue	3.31	-	3.31	+32%
EBITDA (excl. HO) ⁵	1.06	0.06	1.12	+41%
EBITDA (excl. HO) ⁵ margin (%)	32%	n/a	34%	+2%
EBITDA	0.55	0.08	0.63	+15%
NPATA ⁶	0.25	0.05	0.30	vs (\$0.20m)

Notes:

1. Reported figures are the reviewed accounts for the six months ending 31 December 2019
2. Adjustments relate to the removal of non-recurring or unusual costs
3. Underlying adjusts the reviewed accounts for the six months ending 31 December 2019 to include the removal of non-recurring or unusual costs
4. Change on prior year is prepared on the same basis as the six months ending 31 December 2019 and is calculated by adjusting the audited accounts for the six-month period ending 31 December 2018 to include the removal of non-recurring or unusual costs
5. EBITDA (excl. HO) adjusts the reviewed accounts for the six months period ending 31 December 2019 to include the removal of non-recurring or unusual costs, removal of head office costs and costs associated with being listed on the ASX
6. NPATA means net profit after tax before amortisation
7. Contributions from the acquisitions of Walls Bridges Lawyers and Nita Stratton Funk & Associates are included from the time of acquisition

FY20 H1 Statutory Balance Sheet and Cash Flow

- Strong balance sheet and cash position with no debt
- Payment for intangible assets refers to the investment in AFL 2.0
- Repayment of borrowings refers to the extinguishment of debt in relation to the listing (not related to underlying cash flows)
- Debtors and cash flow position continues to improve due to recent working capital optimisation initiatives

Balance Sheet

\$m (consolidated)	Reported 31 Dec 2019
Cash and cash equivalents	0.49
Trade and other receivables	2.17
Fixed & Intangible Assets	6.69
Other assets	1.51
Total Assets	10.86
Trade and other payables	1.22
Deferred Consideration	0.60
Bank debt	0.01
Other Liabilities	1.75
Total Liabilities	3.58
Net Assets	7.28

Cash Flow

\$m (consolidated)	Reported 31 Dec 2019
Receipts from customers	3.47
Payments to suppliers and employees	(3.45)
Operating Cash Flow	0.02
Purchase of fixed assets	(0.04)
Payment for intangible assets	(0.17)
Investing Cash Flow	(0.21)
Repayment of lease liabilities	(0.10)
Repayment of borrowings	(0.27)
Financing Cash Flow	(0.37)
Net Cash Flow	(0.56)
Cash at Year End	0.49

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FY20 Annual Priorities



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Priority	Status	Commentary
Launch AFL 2.0 - #1 Priority	Completed	<ul style="list-style-type: none"> New website launched in February 2020 Already experiencing strong growth in leads and a reduction in cost per conversion since the launch of AFL 2.0
Expand into (1) new geographic region	Completed	<ul style="list-style-type: none"> Canberra expansion plan will replicate the model used for Sydney and Melbourne which achieved ~\$1.5m and ~\$2.5m respectively in the first 18 months of trading
Recruit (2) lateral hires	Completed	<ul style="list-style-type: none"> Recruited 2 x lateral hires (Brisbane and Canberra) Strong pipeline of inbound lateral hires continues to exist
Complete acquisition integrations	Completed	<ul style="list-style-type: none"> Strong pipeline of inbound opportunities exist and are under review
Implement salesforce CRM and recruit team	Completed	<ul style="list-style-type: none"> Implementation and hiring completed in January 2020 Infrastructure now in place to scale internal sales team as required to manage strong YTD lead growth due to AFL 2.0
Establish additional services lines	Underway	<ul style="list-style-type: none"> Now offering Binding Financial Agreements due to lateral hire expertise

Our Growth Hierarchy



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In executing the AFL Growth Hierarchy we highlight the following activities and outcomes since listing:

Hierarchy	Outcomes
Organic Growth	<ul style="list-style-type: none">• Successful launch of AFL 2.0: New website, Salesforce CRM rollout, internal media buying and call centre, new sales scripts, full lead attribution and granular ROI etc• Developed “preferred referral” framework for counterparties – aiming for 50% of all work to be referred• File openings continue to track strongly - February YTD total file openings up ~30% versus last year
Lateral Hires	<ul style="list-style-type: none">• Lateral Hires are a cost effective way to accelerate growth in existing and new markets• Expansion via lateral hires will aim to replicate the model used for Sydney and Melbourne which achieved ~\$1.5m and ~\$2.5m respectively in the first 18 months of trading• Canberra (greenfield) expansion lateral hire has started strongly; Brisbane lateral hire adds value to the existing acquisition platform in Queensland• Strong pipeline of lateral hires nationwide are under consideration
Acquisitions	<ul style="list-style-type: none">• Walls Bridges – new Mornington office – low cost expansion into a new satellite region in Victoria. Integration completed• NSF – new Brisbane office – fast expansion into a new capital city platform and large market opportunity (QLD has highest divorce rates). Integration completed• Strong inbound enquires for acquisition of new firms continue to exist

We are effecting all three of these growth priorities with a long-term mindset of sustainable growth

AFL 2.0: Progress Update



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In December 2019 we launched our updated and improved digital marketing and technology platform - AFL 2.0



Mobile first

An optimised experience for small screens



Performance

An architecture built for fast page loads and content delivery



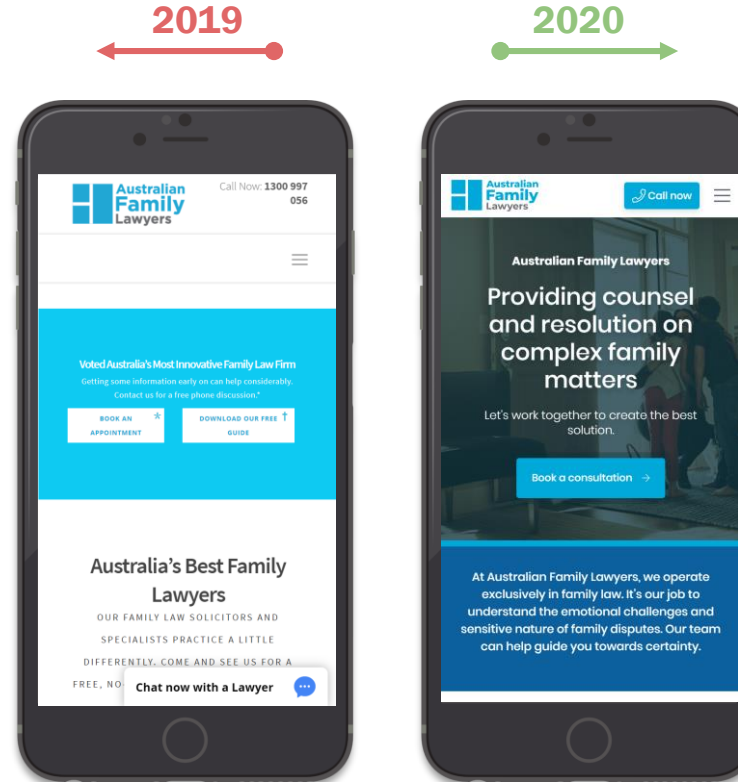
Technology

Introducing an ecosystem of world class integrated technology for scalability and business insights



Insights

End to end behavioural and sales reporting for ongoing optimisation



We are already experiencing strong growth in leads and a reduction in cost per conversion since the launch of AFL 2.0

The new platform has been a complete ground up rebuild focusing on business requirements for scalability and efficient production.

The new CMS environment is equipped for:

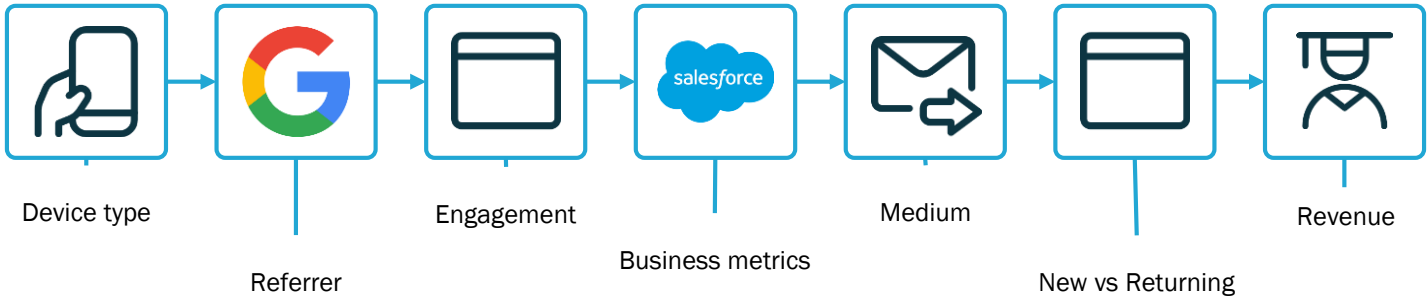
- Independance from designers and developers
- Self sufficient content management
- Lead form generation
- Landing page creation
- SEO management
- Intuitive media management
- Integration and support with major CRM's
- REST API support
- Global community support
- Security and stability

AFL 2.0: Technology Overview

Our new stack



In order to understand our customers and optimise for maximum return on marketing spend, we have built a semantic framework that tracks the end to end journey of our users helping provide the best experience.



AFL 2.0: Salesforce Overview



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Full end-to-end tracking



- Ability to track leads all the way through to new clients and every interaction
- This coupled with full integration of offline and online digital tracking enables us to **optimise every \$ we spend** in marketing to get the best ROI

Analytics & Performance Tracking

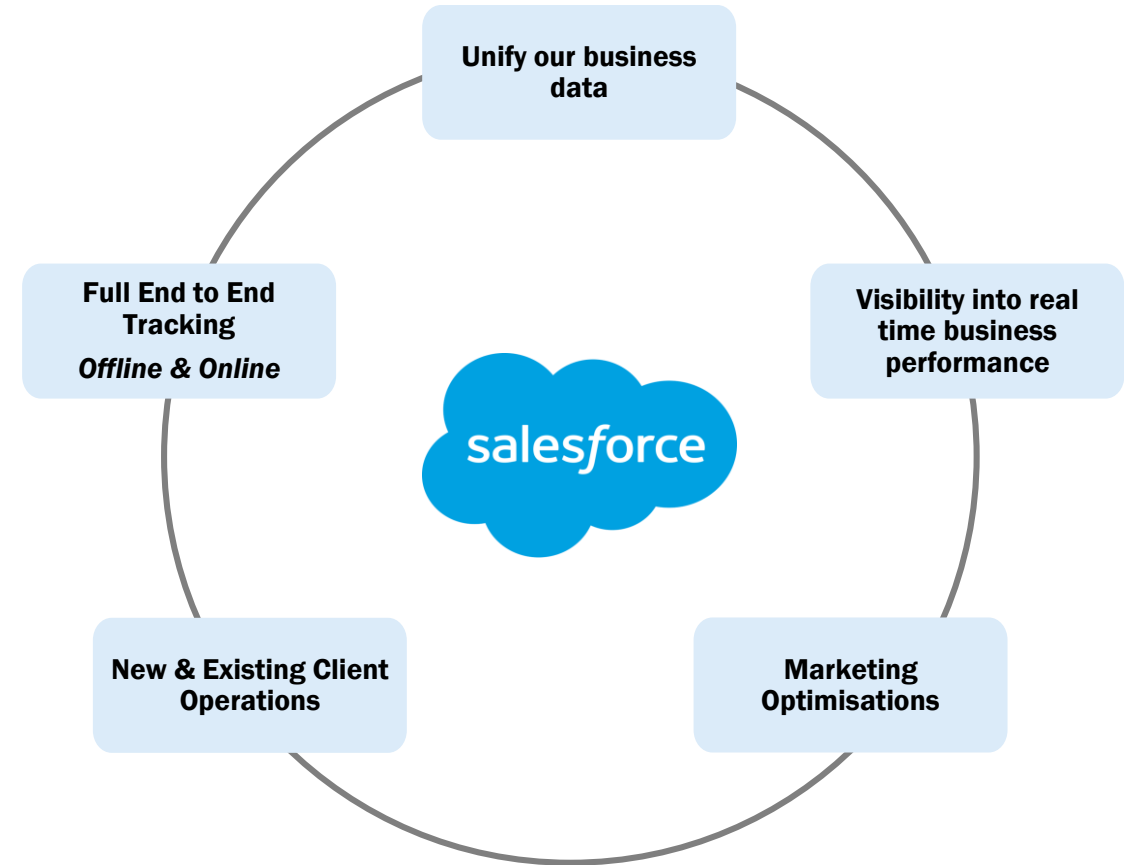


- Full visibility into business KPIs
- Real time, with a click of a button

Unify Data – Leads & Clients



- Single source of truth for all data
- Build a single view of prospects & clients, integrate data from any source, and make it actionable



Infrastructure now in place to scale internal sales team as required to manage strong YTD lead growth due to the launch of AFL 2.0

3 Year Goals



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FY20

- Launch AFL 2.0 - #1 Priority
- Expand into (1) new geographic region
- Recruit (2) lateral hires
- Complete acquisition integrations
- Implement salesforce CRM and recruit dedicated sales team
- Establish additional services lines

Launch AFL 2.0

FY21

- Consolidate outcomes from AFL 2.0 to turbo charge organic growth
- Expand into (3) new geographic regions
- Recruit (3) lateral hires
- Offshore non legal back of house functions
- Roll out new product offerings (e.g. online support)

Drive top-line

FY22

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

Build out platform

Tracking ahead of schedule

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 what might be a whiteboard or large windows. The overall mood is professional and collaborative.

Thank you



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