

15 April 2020

Market Update

The Board of AF Legal Group Ltd (**ASX: AFL**) (**Company**) is pleased to provide a market update on the Company performance since the official launch of AFL 2.0 and the COVID-19 pandemic.

Operating Performance

Despite the negative impact of COVID-19 on the broader economy the Board is pleased to announce the Company has achieved significant growth and operational improvements including:

- For the 3-month period ending 31 March 2020 v pcp¹:
 - Revenue up +48%
 - Operating EBITDA² up +42%
- For the 9-month period ending 31 March 2020 v pcp¹:
 - Revenue up +37%
 - Operating EBITDA² up +34%
- Second highest revenue month for FY20 in March 2020
- Record file openings in January 2020 and YTD file openings up +50% v pcp¹
- Recruited lateral hire in Canberra and opened new office
- Additional lateral hires recruited in Brisbane and Melbourne
- Successful roll out of AFL 2.0 - reduced advertising spend by 16% to generate +40% more leads and +31% more appointments in Q3 v Q2 (FY20)
- Launch of "AFL Assist", a new fixed fee service to assist people experiencing relationship and financial pressures caused by COVID-19

COVID-19 Response

At this stage, there has been no impact to performance due to COVID-19. However, in response to the COVID-19 pandemic, the Company has implemented a number of actions to manage the potential business risks and ensure the health and safety of its staff, clients and broader community including:

- Staff: All lawyers are working from home. As an early adopter of flexible, mobile and remote working practices, the transition to work from home practices has not impacted productivity
- Clients: All clients are currently serviced remotely save and except for mandated attendances such as Court Dates or Mediation. Given the nature of AFL's work, a large proportion of case work is typically done remotely. It is not unusual to have no physical contact with clients

Whilst AFL has to date experienced no material impact to its performance due to COVID-19, management has been prudent in the current environment with the implementation of cost savings to maximize future cash flows. This will also position AFL to take advantage of opportunities that may become available due to current business conditions (e.g. lateral hires, acquisitions).

¹ Prior corresponding period

² Operating EBITDA adjusts the management accounts for the nine month and three month periods ending 31 March 2020 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 (previously referred to as EBITDA excl. OH)

Family Law Market

The number of total divorces in Australia has historically been very stable highlighting the recurring and economically resilient nature of the industry. More relevantly for AFL's target market, online search volumes for divorce lawyers increased +49% for the calendar year 2019 versus 2018. Due to COVID-19, anecdotal reports globally have highlighted recent spikes in divorce rates and online search volumes for divorce lawyers. In Australia, we have also started to observe this trend with online searches up +20% this calendar year compared to the same time last year. In 2009, the number of total divorces in Australia increased after the global financial crisis of 2007-2008. AFL continues to see an increase in lead / enquiries volumes each week. We expect this to continue for the foreseeable future.

Launch of AFL Assist

AFL understands the current period of economic and social uncertainty attributable to COVID-19. Working from home, self isolation policies and loss of income will inevitably cause a strain on families. The Government recently announced a \$150m boost in funding to tackle domestic violence after support services reported a spike in family abuse. The 'No to violence' peak body funded to work with men to end family violence in Australia saw a +94% increase in calls in early April 2020, at the same time stage 3 restrictions were announced.

As a result, AFL is pleased to announce the launch of 'AFL Assist' to support families through this difficult time. This service caters to clients that require help but may only be able to afford certain aspects of advice. This is a fixed fee model to give non-traditional AFL clients enduring relationship and financial difficulty an opportunity to access AFL's legal advice that they would not otherwise have had due to COVID-19.

Share Buy-Back

On 26 February 2020, the Company announced an on-market buy-back of up to 10% of its fully paid ordinary shares. The Board continues to monitor the current share price and activity. The timing and actual number of shares purchased under the buy-back will depend on the Company's share price, market conditions, and other considerations such as the cash required to fund growth opportunities.

Chairman, Grant Dearlove, said "The Board reinforces the defensive nature of our business and superior revenue growth to peers as an attractive investment proposition. We consider based on our current performance, compared with other listed professional service firms, our Company is undervalued with respect to its existing share price. We thank those investors who have remained on our register during share price fluctuations and thank those that have joined our share register with a long term view".

The announcement has been authorised by the Board. For any questions, please contact the undersigned on +61 2 8272 1400.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Niewidok'.

Maggie Niewidok
Company Secretary