

10 August 2020

Market Announcements Office
Australian Securities Exchange
Level 5, 20 Bridge Street
Sydney NSW 2000

Market Update

The board of AF Legal Group Ltd (ASX: AFL) (Company) is pleased to provide a market update on the Company's performance and management structure changes.

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 during FY20 including:

- For the 12-month period ending 30 June 2020 v pcp¹:
 - Revenue² up +39% to \$6.9m
 - Gross Profit up +58% to \$3.6m
 - Gross profit margin increase of +6%
 - Operating EBITDA³ up +52% to \$2.6m
 - Underlying EBITDA⁴ up +41% to \$1.7m
 - File openings up +34%
- Record cash balance as at 30 June 2020 at over \$1.5m
- Record monthly revenue and file openings in May 2020 and June 2020 respectively
- Expanded national footprint with additional offices in Brisbane, Canberra, Sunshine Coast and Adelaide
- Executed lateral hires⁵ in existing offices in Melbourne and Brisbane

In addition, the Company has strengthened the brand and delivery of quality family law services to all Australians through the following:

- A signed international agreement with Stowe Family Law, United Kingdom's largest family law firm;
- A formalised service offering in Binding Financial Agreements (referred to as Pre-Nuptial Agreements);
- The launch of 'AFL Assist' to expand its service offering to a broader demographic due to COVID; and

¹ Prior corresponding period performance is adjusted and prepared on the same basis as the 12 month period ending 30 June 2020.

² Total revenue in Appendix 4E for the 12 month period ending 30 June 2020 has been adjusted to include the removal of non recurring or unusual income items.

³ Operating EBITDA adjusts the Appendix 4E for the 12 month period ending 30 June 2020 to include the removal of non recurring or unusual costs, removal of head office costs and costs associated with being listed on the ASX.

⁴ Underlying EBITDA adjusts the Appendix 4E for the 12 month period ending 30 June 2020 to include the removal of non recurring or unusual costs.

⁵ Lateral hires refer to a senior lawyer that is recruited to the Company with an established reputation and strong referral networks.

- Recognised by its peers with nominations in the premier Lawyers Weekly Australia Legal Awards for the categories of 'Australian Law Firm' of the Year and 'NewLaw Firm of the Year'.

Further information is provided to shareholders in the investor presentation to this announcement.

Management Structure Update

The Board is pleased to inform shareholders that the Company's management structure has been streamlined and enhanced, effective immediately, to better capitalise on AFL's competitive advantages. Edward Finn has taken the decision to retire as Managing Director to enable him to chair a Marketing Advisory Board focused on further development of the client acquisition engine, AFL 2.0. He remains a Non-Executive Director of the Company and the largest shareholder. Retaining the title of Executive Chairman, Grant Dearlove assumes the responsibilities of Managing Director and he is supported in this capacity by current Chief Operating Officer, Stace Boardman and Glen Dobbie as Executive Director. Non-Executive Director Kevin Lynch will also join the Marketing Advisory Board.

Edward Finn said "this new management structure reflects the next step in the growth, maturity and evolution of our business. As the founder and largest shareholder my primary focus is the enduring success of the business and I can best contribute to this by focusing my skills on the continued refinement and improvement of our client acquisition engine, AFL 2.0. Since listing, it has become apparent that our exceptional management team of Grant Dearlove, Stace Boardman and Glen Dobbie are best placed to manage the day to day operations through the next phase of growth. I continue to strongly support their efforts."

Grant Dearlove added "this management structure update best utilises the individual skillsets of the team. Collectively, we have an outstanding legal, management, finance and marketing team and this enables us to focus on our respective strengths to maximise value for shareholders. Personally, I am looking forward to assuming greater managerial responsibility at a time when we are incredibly optimistic about executing on the various growth and pipeline opportunities available to the business over the short and long term. For example, by the end of FY21 we expect to be in all major cities and territories as well as continuing the growth trajectory in our existing offices."

As part of this updated structure, Edward Finn will voluntarily provide an equity incentive to the current Board whereby he will distribute a portion of his shares at the completion of his escrow period to incentivise and reward key management personnel. In addition, Edward waived 50% of his salary for the prior Financial Year (FY20) to increase the pool of available remuneration to other key management personnel.

Chief Marketing Officer

The Board is also pleased to announce the appointment of Matt Seakins as Chief Marketing Officer. Matt will assume primary responsibility for the marketing & sales functions and work closely with the Marketing Advisory Board and Edward Finn. He has a strong track record in performance marketing in high growth technology platform businesses. He has held roles with both Google and online education provider Open Colleges Australia and most recently was the founding Chief Marketing Officer for Drover, a successful UK online subscription marketplace disrupting the automobile industry.

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. This buyback expired on 16 May 2020 as no shares were bought back. On 16 July 2020, the Board announced that it initiated a new on market buyback effective 10 August 2020. 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.

This announcement has been authorised by the AFL board.

Yours faithfully

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

Maggie Niewidok
Company Secretary