

16 June 2021

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

AFL completes Watts McCray acquisition

The Board of AF Legal Group Ltd (**ASX: AFL**) (**Company** or **AFL**) is pleased to announce that it has now completed its acquisition of Watts McCray (NSW) Pty Ltd (**Watts McCray**), one of Australia's leading family law firms.

AFL's Executive Chairman Grant Dearlove commented, "We are pleased to welcome Watts McCray to the team and we look forward to working together to provide a broader depth of services to Australians and foreigners seeking Family Law Advice. AFL is now not only the first National specialist Family Law firm in Australia, we are the largest by scale giving us a competitive advantage to grow our market share".

To facilitate completion the Company has issued 308,948 shares as consideration for the acquisition (**Consideration Shares**) representing half of the upfront share consideration with the balance pending post completion working capital adjustments. The Consideration Shares rank equally in all respects with existing fully paid ordinary shares of the Company. On completion all existing Watts McCray debt facilities were extinguished.

As previously announced, the vendors of Watts McCray are entitled to receive further deferred share consideration of up to \$1.125m paid in three annual instalments subject to minimum performance conditions at the completion of the financial periods ending 30 June 2021, 30 June 2022 and 30 June 2023. For further details of the acquisition, please refer to the Company's announcement on 11 March 2021.

The Board of AFL is also please to provide a market update attached to this announcement. AFL continues to assess a number of organic, lateral hire and acquisition opportunities and will update the market as and when these opportunities progress.

This announcement has been approved by the Board of AFL.

For any questions, please contact the undersigned on +61 2 8272 1400.

Yours faithfully

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

Maggie Niewidok
Company Secretary

MARKET UPDATE

INVESTOR PRESENTATION

June 2021

Table of contents

01 About Us

02 Acquisition Update

03 Trading Update

01

ABOUT US

Australia's largest specialised family law firm

We help our customers get better outcomes by providing counsel and resolution on complex family matters





+15

offices



+80

employees



+50%

revenue growth p.a.¹



~1%

market share



1. FY17-FY20 CAGR (compounded annual growth rate)

Family law is a very large, highly fragmented market

Long-term stable volumes, an increase in defacto relationships and rising net household wealth = attractive market



\$1.1bn
market size



No
national players



+50,000
divorces per annum



3rd
largest personal legal services market

In contrast to personal injury law, there is no dominant or national player in family law. This is despite the fact that the two markets are of a similar size

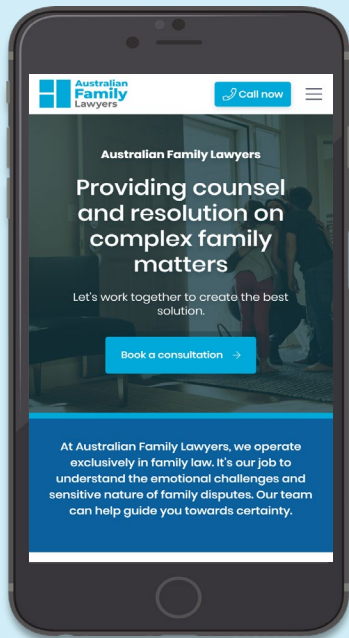
=




Big Opportunity

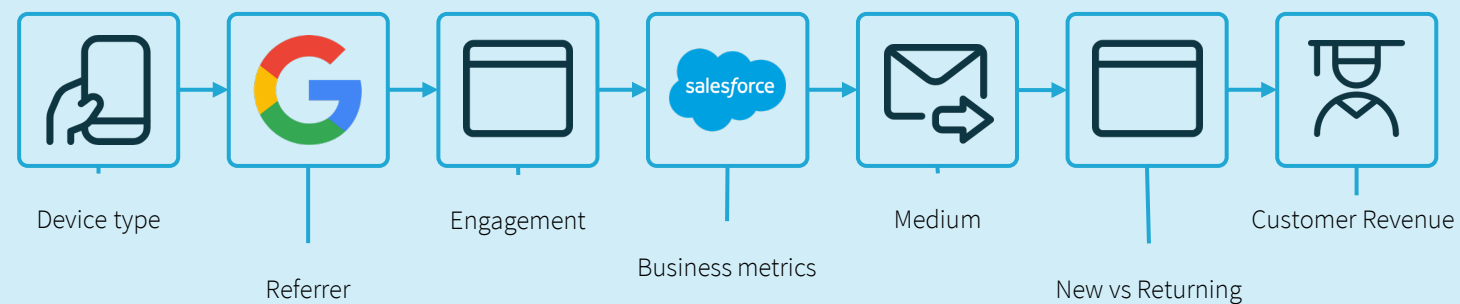
We have disrupted the way law firms find customers...



We utilize digital marketing techniques used in other online industries to attract customers in the family law industry

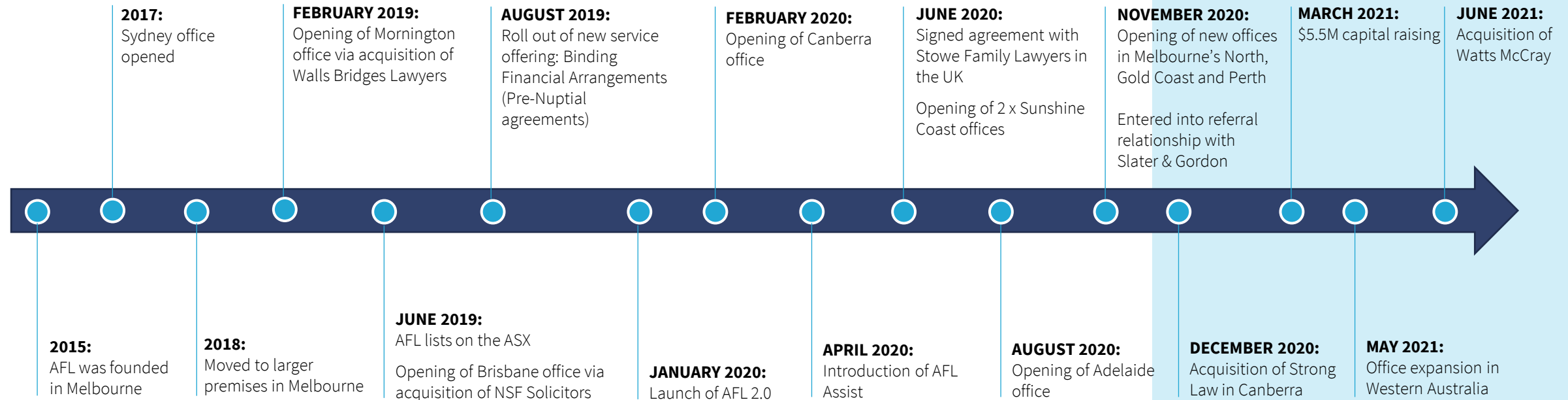


-  **Mobile first**
An optimised experience for small screens
-  **Performance**
An architecture built for fast page loads and content delivery
-  **Technology**
Introducing an ecosystem of world class integrated technology for scalability and business insights
-  **Insights**
End to end behavioural and sales reporting for ongoing optimisation



Timeline since inception

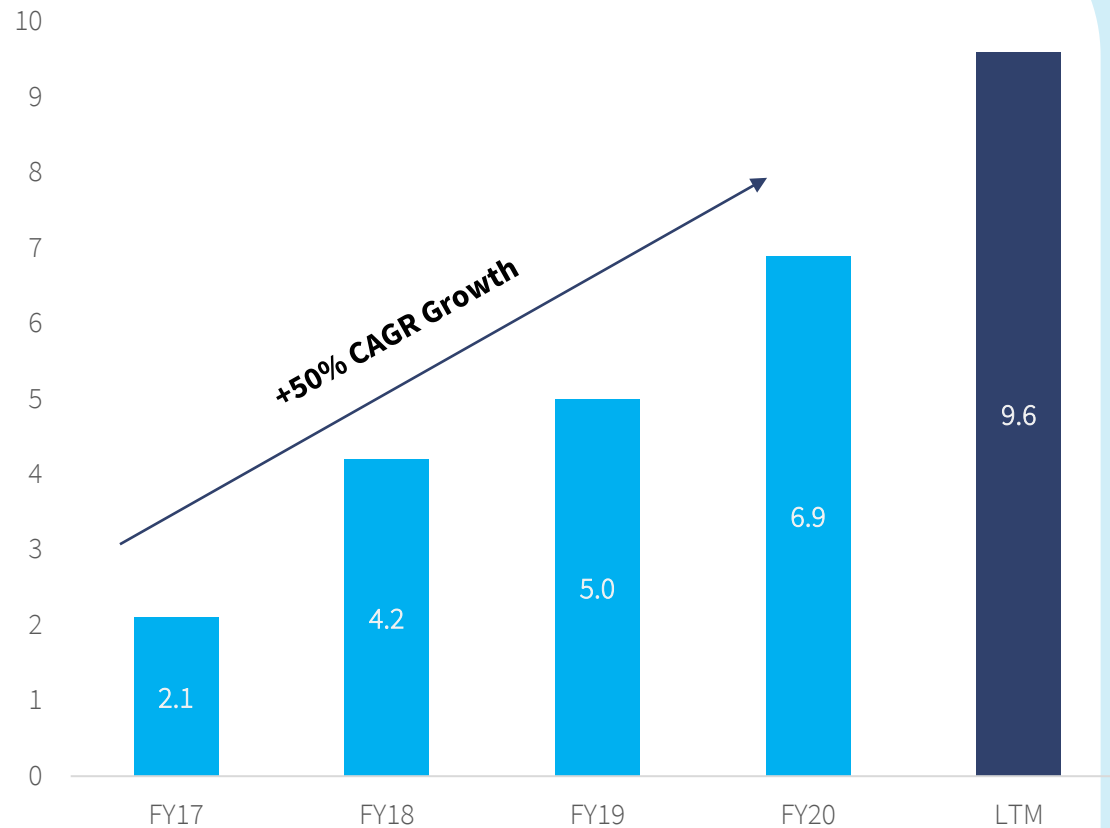
AFL was founded in 2015 and has rapidly expanded to 15 offices since the IPO in June 2019



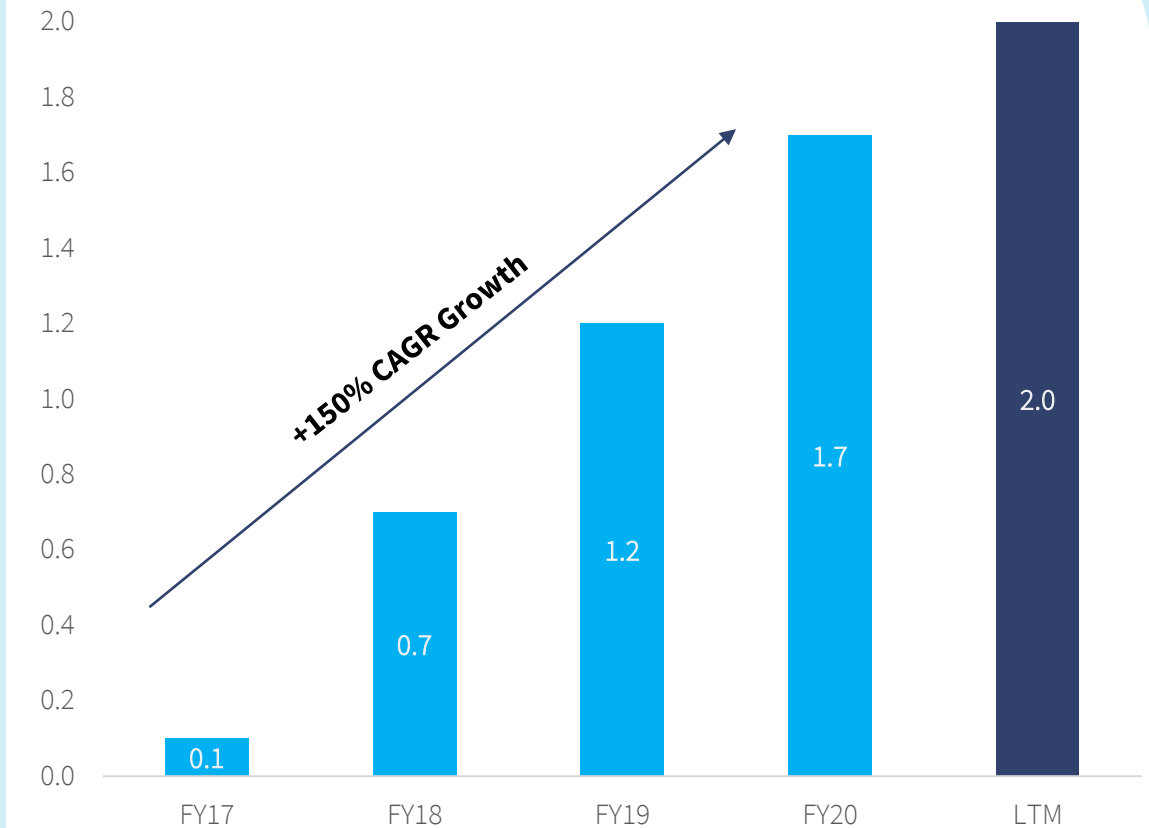
Historical revenue and EBITDA

Strong historical CAGR³ growth in both revenue and EBITDA since FY2017

Revenue¹ \$m



Underlying EBITDA² \$m



1. Total revenue has been adjusted to include the removal of non recurring or unusual income items. LTM includes the acquisition of Watts McCray from 1 January 2021
2. Underlying EBITDA adjusts statutory EBITDA to include the removal of non recurring or unusual costs. LTM includes the acquisition of Watts McCray from 1 January 2021
3. Compounded annual growth rate from FY17-FY20
4. LTM refers to the 12 month period ending 30 April 2021

Investment Highlights



The **largest specialised family law firm in Australia** in less than 5 years



Disrupting the way law firms acquire clients with its proprietary client acquisition engine



First mover advantage across client acquisition engine, use of technology and availability of capital in the family law market



Very large, highly fragmented industry ripe for consolidation with **no national competitors**



Management team / board with **successful track record** in professional services and online technology platform businesses



Undemanding valuation with strong potential



\$1.1bn+

potential market opportunity



+150%

EBITDA CAGR (FY17-FY20)



~1%

market share



+50%

Revenue CAGR (FY17-FY20)



Best-in-class

client acquisition engine



Finalist x 2

Australian Legal Awards

02

ACQUISITION UPDATE



Watts McCray
LAWYERS

A NEW ERA DAWNS IN FAMILY LAW



Acquisition Overview

Significant step in 3 year growth strategy with the acquisition of Watts McCray

OVERVIEW

- ✓ Recognised as one of Australia's leading family law firms
- ✓ Providing family law legal services to over 1,000 clients per annum in New South Wales, across Australia and internationally, for over 40 years
- ✓ Five locations across Greater Sydney and the Australian Capital Territory including Sydney, Parramatta, Northern Beaches, Norwest Business Park and Canberra
- ✓ Known to have some of the markets leading and most respected lawyers and was recently named the Global 100 awards winner for "Family Mediation Law Firm of the Year 2021 – Australia"
- ✓ Vendors, partners and key staff remain in the combined business with strong alignment with shareholders

Consolidated Profit & Loss

Merged business creates the largest national family law firm in Australia

A\$'000s	H1 ¹	LTM ²	H1 % Change	LTM % Change
Pro Forma				
Revenue	7,515	14,203	14%	15%
Operating EBITDA ³	2,171	4,105	35%	47%
Margin %	29%	29%		
Underlying EBITDA ⁴	1,693	3,194	47%	53%
Margin %	23%	22%		

1. H1 refers to the 6 month period ending 31 December 2020 and includes contribution from Watts McCray from 1 July 2020
2. LTM refers to the 12 month period ending 31 December 2020 and includes contribution from Watts McCray from 1 January 2020
3. Operating EBITDA adjusts statutory EBITDA 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 statutory EBITDA to include the removal of non recurring or unusual costs

Commentary

- Pro Forma Profit & Loss (pictured left) includes pro forma contribution from Watts McCray from 1 July 2020 and 1 January 2020 for H1 and LTM respectively
- Effective date of acquisition was 1 January 2021
- Transaction was completed on a cash free, debt free basis with a sufficient level of working capital provided by the vendors on the completion balance sheet
- A total of \$1.125m in deferred share consideration is payable to the vendors in three annual instalments subject to minimum performance conditions at the completion of the financial periods ending 30 June 2021, 30 June 2022 and 30 June 2023

03

TRADING UPDATE

Operational Highlights



Key strategic priorities were achieved and the business continues to deliver strong financial metrics

HIGHLIGHTS – FY21 YTD April

- ✓ Continued revenue growth +48% versus pcp¹ and strong file openings up over 35% for the January to May 2021 versus pcp¹ including an all time monthly and weekly record in May 2021
- ✓ Strong Operating EBITDA² and Underlying EBITDA³ growth +20% and +27% versus pcp¹ respectively
- ✓ Expanded national footprint with second new office in Western Australia
- ✓ Completed the acquisition of Watts McCray – a significant milestone achieved as part of the 3 year growth strategy
- ✓ Capital raising was oversubscribed raising at total of \$5.5m to fund future growth opportunities
- ✓ Strong pipeline of organic, lateral hire and acquisition growth opportunities currently in due diligence

1. Prior corresponding period

2. Operating EBITDA adjusts statutory EBITDA for the 10 month period to 30 April 2021 to include the removal of non recurring or unusual costs, removal of head office costs and costs associated with being listed on the ASX

3. Underlying EBITDA adjusts statutory EBITDA for the 10 month period to 30 April 2021 to include the removal of non recurring or unusual costs

Profit & Loss – Year to Date (April 2021)

Continued strong growth across the platform with additional scale provided by the acquisition of Watts McCray



A\$'000s	YTD ¹	LTM ²	YTD % Change	LTM % Change
Underlying				
Revenue	8,293	9,593	48%	48%
Operating EBITDA ³	2,464	3,034	20%	33%
Margin %	30%	32%		
Underlying EBITDA ⁴	1,610	2,080	27%	48%
Margin %	19%	22%		

1. YTD refers to the 10 month period ending 30 April 2021 and includes contribution from Watts McCray from 1 January 2021

2. LTM refers to the 12 month period ending 30 April 2021 and includes contribution from Watts McCray from 1 January 2021

3. Operating EBITDA adjusts statutory EBITDA 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 statutory EBITDA to include the removal of non recurring or unusual costs

Commentary

- Effective date of acquisition was 1 January 2021
- Underlying Profit & Loss includes contribution from Watts McCray for YTD and LTM from 1 January 2021
- *Underlying EBITDA* removes non recurring or unusual costs (e.g. new office establishment costs, share based payment incentives etc) to more accurately reflect the underlying operational performance of the business
- *Operating EBITDA* removes head office costs and costs associated with being listed on the ASX to more accurately reflect the underlying operational performance of the business

THANK YOU

