



Australian
Family
Lawyers

INVESTOR PRESENTATION

FY22 FULL YEAR RESULTS

August 2022

www.australianfamilylawyers.com.au



FY22 Snapshot



Delivered record financial performance, completed the 3 year strategy from IPO and launched unique “owner operator” model

- ✓ **FY22 Revenue and Underlying EBITDA¹ of \$18.5m and \$3.4m**, +68% and +63% growth respectively versus pcp
- ✓ **FY22 Pro Forma² Revenue and Underlying EBITDA of \$20.5m and \$4.0m** respectively (including full year contribution of Withnalls Lawyers)
- ✓ **Strong organic³ revenue growth at 11%+** and **file openings up +62%** versus pcp despite COVID impacts
- ✓ **Launched unique “owner operator” model”** with acquisition of **Withnalls Lawyers in Northern Territory**
- ✓ **Secured \$10m acquisition facility** to support the funding of future acquisitions
- ✓ Expanded to 18 offices with a **new office openings in Alice Springs and Wollongong** combined with an office expansion in Canberra
- ✓ **Nomination as Australian Law Firm of the Year** – 3rd year in a row
- ✓ **Completion of first “3-year Strategy” since IPO** – next 3-year strategy to capitalise on significant investment over the last 3 years

1. Underlying EBITDA adjusts statutory EBITDA to include the removal of share-based payments, acquisition costs, pre acquisition related bad debts and one-off growth-related costs
2. Pro Forma revenue and underlying EBITDA includes the full year contribution of the Withnalls acquisition from 1 July 2021 on a consolidated basis as required by AASB
3. Organic revenue growth has been calculated on a “like for like” basis by removing all contributions from acquisitions completed in the last 12 months

Table of contents

01 About Us

02 FY22 Results

03 FY22 Financials

04 Strategy Update

01

ABOUT US

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



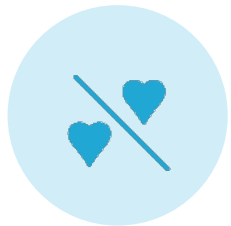
No

national players



96%

of divorcees retain lawyers



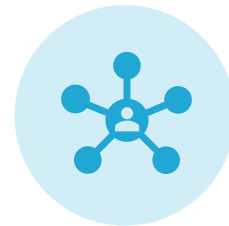
+50,000

divorces per annum



3rd

largest personal legal services market



20

different service offerings within family law

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 are a tech enabled law firm with a difference

We are Australia's largest family law firm with plans to grow our market share and expand into other areas of law



+19

offices



+90

employees



+55%

Revenue CAGR¹



~2%

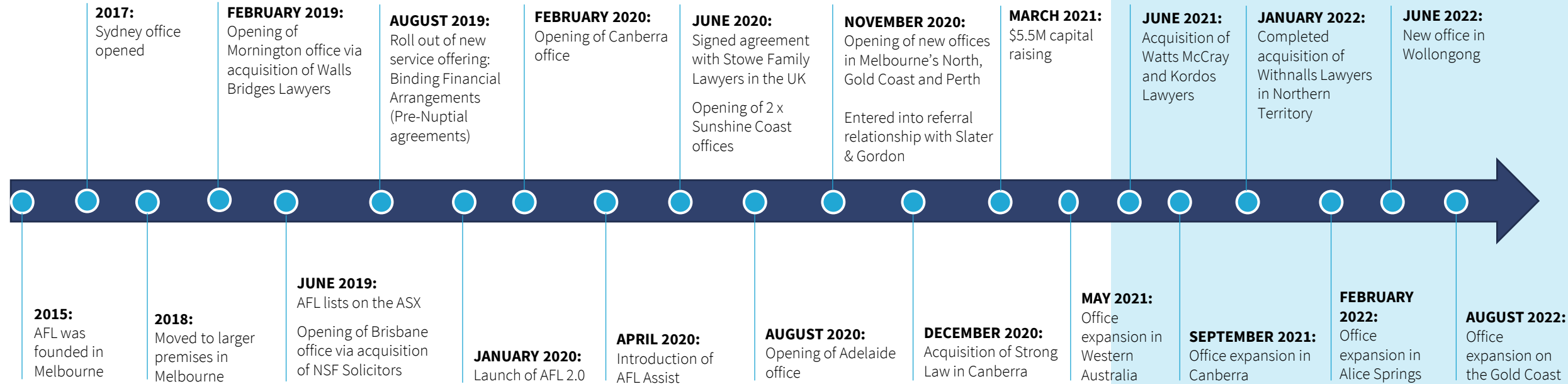
market share



1. FY19-FY22 CAGR (compounded annual growth rate)

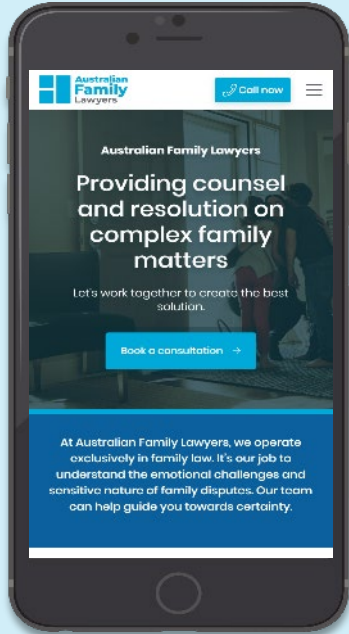
Timeline since inception

AFL was founded in 2015 and has rapidly expanded to 19 offices since its IPO in June 2019



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



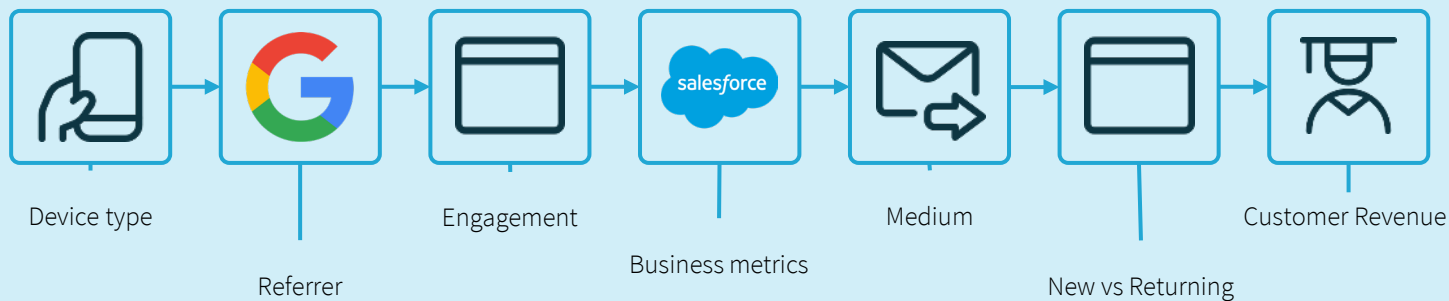
Technology

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



Insights

End to end behavioural and sales reporting for ongoing optimisation



What have we achieved since IPO?

Strong organic growth and strategic acquisitions has provided the scale to build out the platform in FY23 and beyond



STRONG FINANCIAL PERFORMANCE

FY22 Pro Forma **Revenue and Underlying EBITDA** of **\$20.5m and \$4.0m** respectively

Delivered **strong revenue and underlying EBITDA growth**¹ since IPO in FY19 at +55% and +40% respectively



NEW OFFICES AND GEOGRAPHIES

Created and acquired **19 new office locations**: Brisbane, Canberra (2), Sunshine Coast (2), Adelaide, Perth (2), Sydney (3), Melbourne (3), Alice Springs, Darwin and the Gold Coast



LATERAL HIRES AND ACQUISITIONS

Recruited **11 additional lateral hires** in existing and new offices

Completed **6 strategic acquisitions** in Brisbane, Canberra, Melbourne, Darwin and Sydney

Launched unique **“owner operator” model**



BEST IN CLASS MARKETING PLATFORM

Launched AFL 2.0 which drove **improved marketing performance**

Rolled out **referral partnership strategy**

Created **Marketing Advisory Board**



ADDITIONAL SERVICE LINES

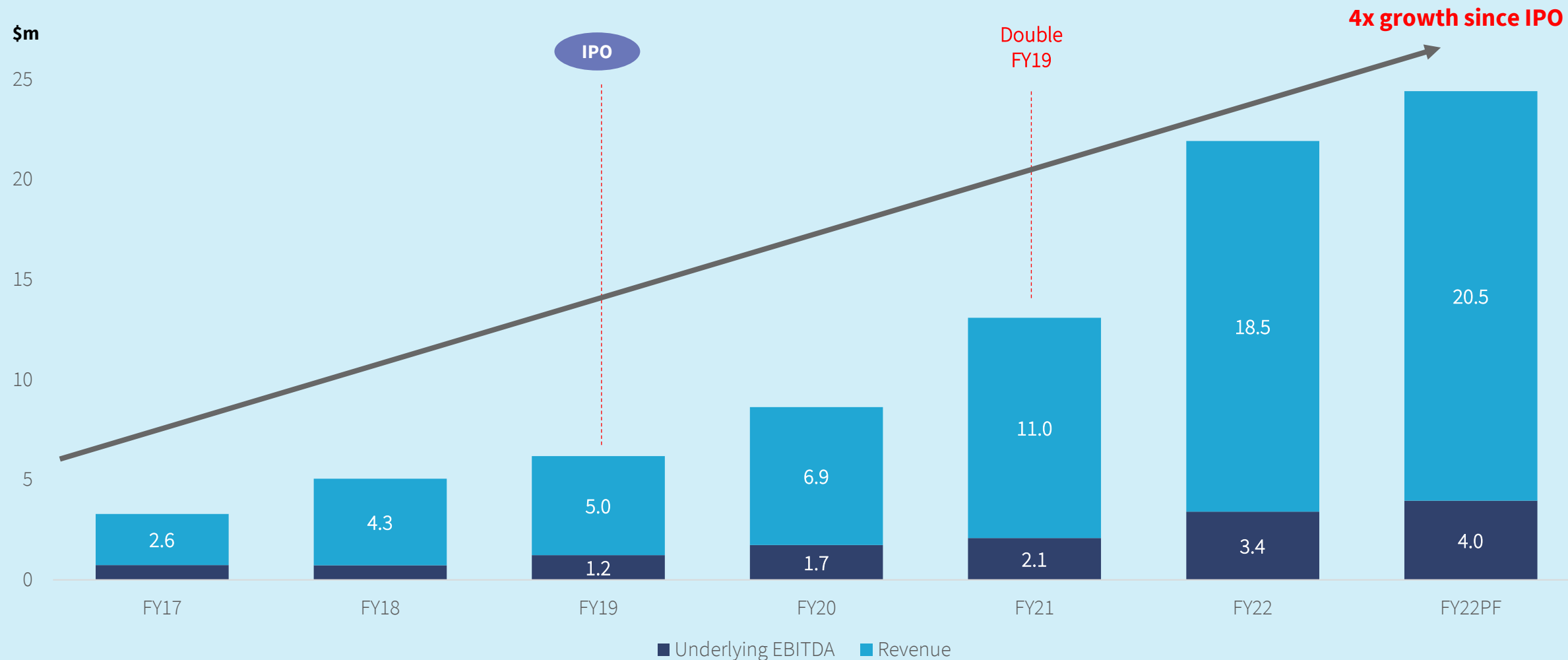
Launched **6 New Service lines** including Binding Financial Arrangements, Corporate Services, AFL Assist, Asset Protect, Faculty of Arbitration and Mediation and an International Relations Division



1. FY19-FY22 CAGR (compounded annual growth rate)

More than 4x growth since IPO

Strong historical CAGR³ growth in both revenue (+55%) and Underlying EBITDA (+40%) since IPO in FY19



1. Total revenue has been adjusted to include the removal of non-recurring, non-cash or unusual income items
2. Underlying EBITDA adjusts statutory EBITDA to include the removal of share-based payments, acquisition costs, pre acquisition related bad debts and one-off growth-related costs
3. Compounded annual growth rate from FY19-FY22
4. Pro Forma revenue and underlying EBITDA includes the full year contribution of the Withnalls acquisition from 1 July 2021 on a consolidated basis as required by AASB

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 supplemented with growing brand strength



First mover advantage in the family law sector with a **scalable platform** to expand into new personal legal services markets



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



Strong pipeline of organic and acquisition growth opportunities with healthy balance sheet and no debt



\$7.5bn+

current market opportunity



+40%

Underlying EBITDA CAGR (FY19-FY22)



~2%

market share



+55%

Revenue CAGR (FY19-FY22)



Best-in-class

client acquisition engine



Finalist x 3

Australian Legal Awards

02

FY22 RESULTS

Financial Overview, FY22



Record set of financial performance indicators achieved despite COVID impacts and a tight labour market

\$18.5m

Revenue +67%
2021: \$11.1m

\$3.4m

Underlying EBITDA¹ +63%
2021: \$2.1m

\$2.1m

Statutory EBITDA +170%
2021: 0.8m

4.5c

Underlying EBITDA per
share +56%
2021: 2.9c

\$20.5m

Pro Forma² Revenue

\$4.0m

Pro Forma Underlying
EBITDA

+11%

Organic Revenue Growth³

\$3.6m

Net Cash

1. Underlying EBITDA adjusts statutory EBITDA to include the removal of share-based payments, acquisition costs, pre acquisition related bad debts and one-off growth-related costs
2. Pro Forma revenue and underlying EBITDA includes the full year contribution of the Withnalls acquisition from 1 July 2021 on a consolidated basis as required by AASB
3. Organic revenue growth has been calculated on a "like for like" basis by removing all contributions from acquisitions completed in the last 12 months

Financial Highlights, FY22



Strong full year result driven by continued organic growth from new office openings and additional contributions from acquisitions

- ✓ **FY22 Revenue was \$18.5m**, +68% growth respectively versus pcp
- ✓ **FY22 Underlying EBITDA¹ was \$3.4m**, +63% growth respectively versus pcp
- ✓ **FY22 Pro Forma² Revenue and Underlying EBITDA was \$20.5m and \$4.0m** respectively (including full year contribution of Withnalls Lawyers)
- ✓ **Strong organic³ revenue growth at +11%** versus FY21 and within target range of 10-20% per annum
- ✓ **Revenue growth would have been stronger** if not for COVID related staff shortages due to staff absenteeism from illness (including supporting family members with illness), leave taken (that was not taken in COVID), general staff shortages in a tighter labour market and client cancellations due to COVID related illness
- ✓ **Secured \$10m acquisition facility** to support the funding of future acquisitions

1. Underlying EBITDA adjusts statutory EBITDA to include the removal of share-based payments, acquisition costs, pre acquisition related bad debts and one-off growth-related costs
2. Pro Forma revenue and underlying EBITDA includes the full year contribution of the Withnalls acquisition from 1 July 2021 on a consolidated basis as required by AASB
3. Organic revenue growth has been calculated on a "like for like" basis by removing all contributions from acquisitions completed in the last 12 months

Operating Highlights, FY22

A number of key milestones were achieved in FY22 with the completion of the 3 year strategy and launch of new “Owner Operator” model



COMPLETION OF 3 YEAR STRATEGY

Initial 3-year strategy at IPO complete with all critical key objectives achieved

New “AFL 3.0” strategy to capitalize on investment in the platform over the last 3 years



LAUNCH OF OWNER OPERATOR MODEL

Launched “owner operator” model with acquisition of 51% controlling interest in **Withnalls Lawyers in Northern Territory**

First of its kind in the legal market



GROWING NATIONAL FOOTPRINT

Expanded to 18 offices with **new office openings in Alice Springs and Wollongong** combined with an office expansion in Canberra

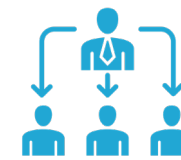
File openings up +62% versus last year provides a strong leading indicator for FY23



PIPELINE OF GROWTH OPPORTUNITES

Strong pipeline of organic and acquisition growth opportunities are under review

New “AFL 3.0” strategy to **expand growth sandbox to other areas of law**



CORPORATE GOVERNANCE EVOLUTION

Appointed independent directors with Dr Sarah Kelly (Non-Executive Director) and Mr. Rick Dennis (Non-Executive Chairman)

Nomination as Australian Law Firm of the Year for the 3rd year in a row



Strong growth despite staff shortages and COVID impacts

The underlying defensive nature of the business was demonstrated through COVID and during FY22

Tailwinds

- 😊 National firm diversification allows resource sharing minimising impact of staff shortages
- 😊 Leading employer value proposition (e.g. incentives, maternity leave etc)
- 😊 Same sex marriage has created an expanded client base
- 😊 Court Reform administration has resulted in delayed matters now being brought forward
- 😊 Pace of change in sector is driving law firm owners to look to partner
- 😊 Economic pressures historically leads to more relationship breakdowns

Headwinds

- 😞 COVID recovery and absences impacting productivity including client cancellations
- 😞 Job market the tightest market in 30 years across all sectors
- 😞 Senior practitioners taking early retirement due to “rethink” in COVID
- 😞 Increase in judicial appointments of registrars impacting the senior recruitment market
- 😞 International markets now opened with younger lawyers looking at work/travel opportunities

Record growth in marketing metrics versus last year

Strong growth in marketing metrics versus last year provides a leading indicator of performance in FY23

Leads

+41% increase in leads
14% reduction in cost per lead

Website user

+81% increase in users
+143% increase in organic users

Appointment Conversion

+55% versus last year

File Openings

+62% increase in file openings
25% reduction in cost per digital file

PR and Social

+114% increase in PR coverage
+65% in social media audience

Google 5 Star Reviews

+40% increase in positive reviews

Referrals

+16% increase in partner referrals despite COVID impact on face to face activity

Corporate Partners

+50% growth in partnerships

Continued organic online traffic growth versus competition

AFL continues to win market share in organic traffic from its competitors which is reducing its cost per customer acquisition



BRAND REFERRALS ARE NOW ~30% OF REVENUE WHICH IS REDUCING COST PER CUSTOMER ACQUISITION

02

FY22 FINANCIALS

Income Statement, FY22



Record set of financial performance indicators achieved despite COVID impacts and a tight labour market

- **FY22 revenue and Underlying EBITDA¹ were \$18.5m and \$3.4m** respectively, +68% and +63% growth
- Delivered continued **strong organic² revenue growth at +11%**
- **FY22 Pro Forma³ Revenue and Underlying EBITDA was \$20.5m and \$4.0m** respectively
- **Revenue growth would have been stronger** if not for COVID related staff shortages due to staff absenteeism (including supporting family members with illness), leave taken (not taken during COVID), general staff shortages due to tight labour market and client cancellations due to illness
- **Profit margins would have been higher** if not for significant planned operational expenditure incurred to support future growth in the platform (e.g. IT, systems, finance and marketing)

A\$'000s	FY21	FY22	% change	PF FY22 ³
Total Revenue	11,009	18,519	68%	20,463
Underlying EBITDA	2,092	3,410	63%	3,956
<i>% margin</i>	19%	18%		19%
Underlying EBITDA (pre AASB 16)	1,432	2,318	62%	2,864
<i>% margin</i>	13%	13%		14%
Underlying EBITDA per share (cents)	2.9	4.5	56%	5.2
<i>Less: Non-recurring income / expenses</i>				
<i>Share based payments (non-cash)</i>	(739)	(945)		(945)
<i>Acquisition related expenses</i>	(121)	(347)		(347)
<i>Pre acquisition related bad debts</i>	(221)	(16)		(16)
<i>Growth costs</i>	(121)	(56)		(56)
<i>Others</i>	(121)	36		140
Statutory EBITDA	770	2,082	171%	2,732
AASB 16 implementation	(661)	(1,092)		(1,092)
Statutory EBITDA (pre AASB 16)	109	990	811%	1,641
D&A	(482)	(592)		(593)
Finance costs	(119)	(103)		(94)
Income tax	(13)	(391)		(594)
Statutory NPAT – Group Total	(482)	(96)	80%	360
Less: Non controlling interest	-	(311)		(534)
Statutory NPAT – AFL	(482)	(407)	16%	(174)
Amortisation	321	388		388
Non-recurring expenses (net of tax)	979	996		918
Underlying NPATA	817	977	20%	1,132

1. Underlying EBITDA adjusts statutory EBITDA to include the removal of share-based payments, transaction expenses, one-off growth-related expenses and one-off non-recurring expenses
2. Organic revenue growth has been calculated on a "like for like" basis by removing all contributions from acquisitions completed in the last 12 months
3. Pro Forma numbers include the full year contribution of the Withnalls acquisition from 1 July 2021 on a consolidated basis as required by AASB

Balance Sheet, FY22

Robust balance sheet, healthy cash balance and excess debt capacity

A\$'000s	30 June 2022
Cash and cash equivalents	3,749
Accounts receivable	4,403
Other current assets	951
Total current assets	9,103
Deferred tax assets	907
Plant and equipment	437
Intangible assets	11,507
Right of use assets	1,490
Total assets	23,444
Trade and other payables	2,161
Current tax liabilities	738
Deferred consideration	1,875
Borrowings	116
Employee benefits	850
Provisions	295
Deferred tax liabilities	987
Lease liability	1,518
Total liabilities	8,539
Net assets	14,905
Issued capital	129,507
Reserves	1,140
Retained profits	(116,242)
Non-controlling interest	500
Total equity	14,905



Commentary

- Net cash position of \$3.6m reflects a robust balance sheet, healthy cash balance and excess debt capacity
- Increase in debtors reflects growth in the business and acquisition of Withnalls Lawyers. The quality of debtors is robust with no additional provision of doubtful debts during the period
- Deferred consideration relates to performance linked share payments that may be payable to the vendors of Kordos Law and Watts McCray
- Bank debt facility of \$10m remains available to fund future acquisitions
- Balance sheet includes the balance sheet of the Withnalls investment

Cash flow statement, FY22

Robust balance sheet, healthy cash balance and excess debt capacity

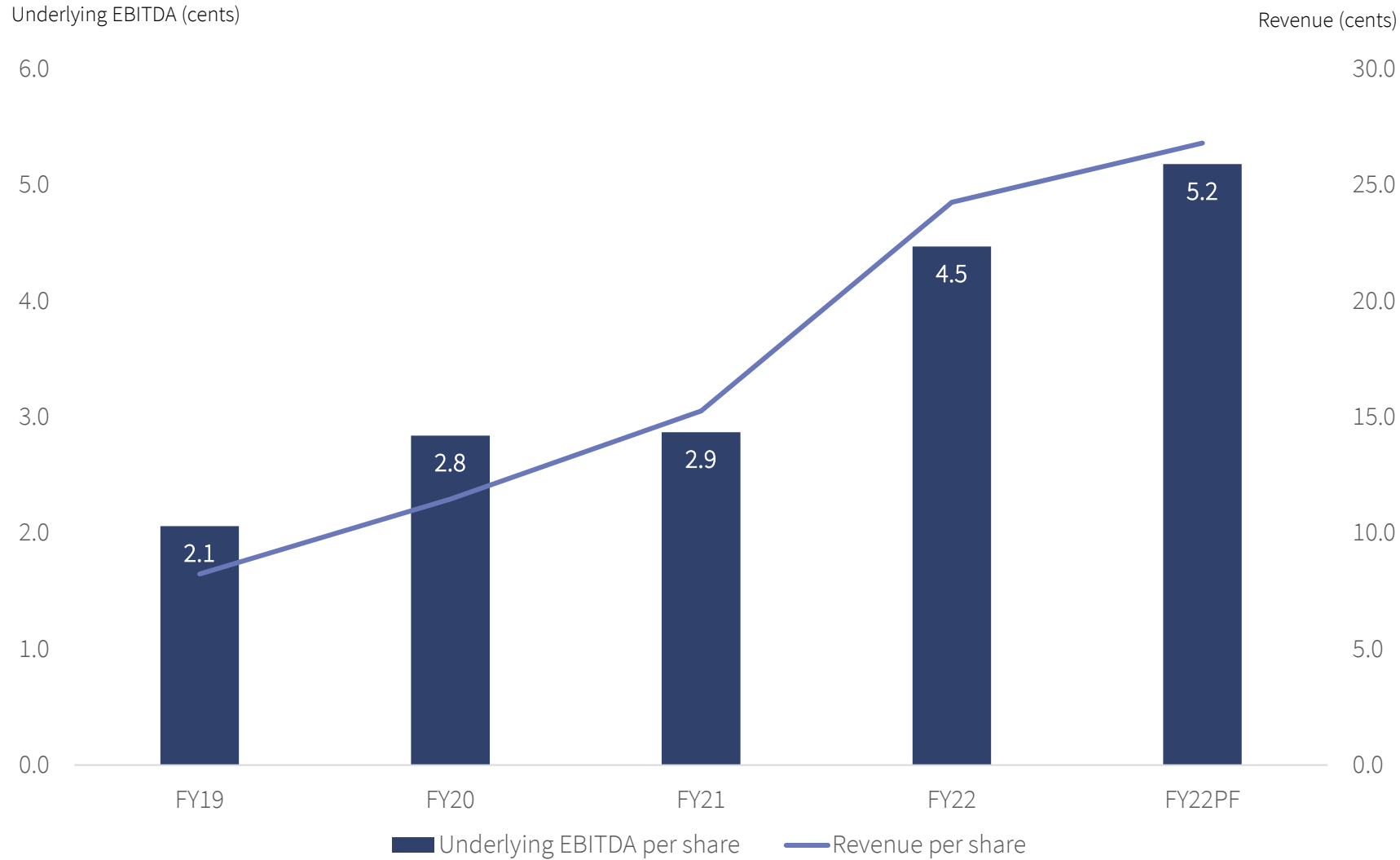
A\$'000s	FY22
Receipts from customers	19,416
Payments to suppliers and employees	(17,772)
Net interest expense	(119)
Income tax paid	(484)
Net cash provided by operating activities	1,040
Purchase of fixed assets	(235)
Payment for business combinations	(447)
Payment of deferred consideration	(63)
Purchase of intangible assets	(210)
Net cash used in investing activities	(955)
Proceeds from issue of shares	-
Payment for share issue costs	-
Repayment of lease liabilities	(1,058)
Movement in borrowings	64
Net cash provided by / (used in) financing activities	(994)
Net increase / (decrease) in cash	(909)
Cash at start of the year	4,658
Cash at end of the year	3,749



Commentary

- Net cash provided by operating activities would have been higher if not for:
 - “One off” investments in systems and platform to build base for the next phase of growth
 - the timing of deferred tax payments to the ATO of \$1.0m in FY22 versus \$0.2m in FY21
 - Weaker than expected revenue in H2 due to COVID related staff shortages due to staff absenteeism (including supporting family members with illness), leave taken (not taken during COVID), general staff shortages due to tight labour market and client cancellations due to illness
- Adjusting for the ATO deferred payment timing difference results in a +51% improvement in cash flow from operating activities versus last year. This improvement reflects the ongoing and disciplined approach to working capital management with significant room for improvement in FY23
- Payment for business combination is for acquisition of 51% of Withnalls Lawyers

Per share growth since listing in June 2019



+43%
Revenue Per Share growth¹

+30%
Underlying EBITDA per share growth¹

1. FY19-FY22 CAGR (compounded annual growth rate)
 2. FY22PF Pro Forma includes the full year contribution of the Withnalls acquisition from 1 July 2021 on a consolidated basis as required by AASB

04

STRATEGY UPDATE

Who are we?



We want to be the number one choice for middle class Australians for all of their personal legal services

CORE PURPOSE



To be Australia's largest National Family Law Firm (current)

CORE VALUES



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

BHAG



To be Australian's number one choice for personal legal services (future)

CURRENT SANDBOX



Related family law services (current)

Capital cities and key regional towns (population greater than 80,000)

Limited deferred / contingent matters; no single file more than 5% of revenue

3 YEAR TARGET



~10% market share in family law

3 year plan – How did we go?

All major strategic objectives were completed that were set at IPO in June 2019

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

- **Presence in all state and territories in Australia - #1 Priority**
- Consolidate outcomes from AFL 2.0 to turbo charge organic growth
- Recruit (1) lateral hire per office
- Offshore non legal back of house functions
- Roll out new product and channel offerings (eg. online support, affiliates)

Drive top-line



FY22

- Continue organic growth and integrate acquisitions
- Assess larger scale acquisitions
- Assess new jurisdictions
- Expand into adjacent sectors and service lines (delayed)
- Pursue 10% market share of family law market in Australia (on track)

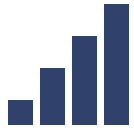
Build out platform



AFL 3.0: New strategy - Capitalise on the Platform

Investment in the platform is now complete with “AFL 3.0” to capitalise on the investments made over the last 3 years

1



SCALABLE PLATFORM



2



OWNER OPEATOR MODEL



3



NEW AREAS OF LAW



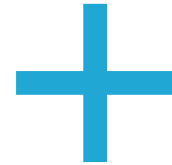
- **Target 10-20% organic growth p.a.**
- Roll out digital client acquisition enhancements to improve conversion and reach
- Increase in clients referrals through business development and national brand campaigns (e.g. above the line Advertising programs - radio, TVC, sponsorship etc)
- End to end legal service model that supports the platform with HR, marketing, finance, IT, innovation etc
- Increase corporate services partners and aggressive B2B database management and referrer engagement
- **Roll out “Owner Operator” model**
- Capitalise on launch of new “owner operator” model – first of its kind in listed law firm sector
- Proven model in other listed professional services companies (e.g. Kelly Partners)
- Obtained through either lateral hires or small “tuck in” acquisitions
- Capital city suburban hubs – “hub and spoke” in large pockets within capital cities (e.g. North Melbourne in FY21)
- 25 regions identified as potential office locations (Populations of > 80,000 support family law firms)
- **Expand growth sandbox**
- Growth “sandbox” can now expand to include opportunities outside of family law but within the personal legal services market (excluding personal injury law)
- “Owner Operator” model can be scaled to expand into areas outside of family law
- Exposure to new areas of law would facilitate internal referrals, new revenue base and provide overall diversification to the platform

AFL 3.0: Roll out of new “Owner Operator” Model

Current

“Corporatised” Model

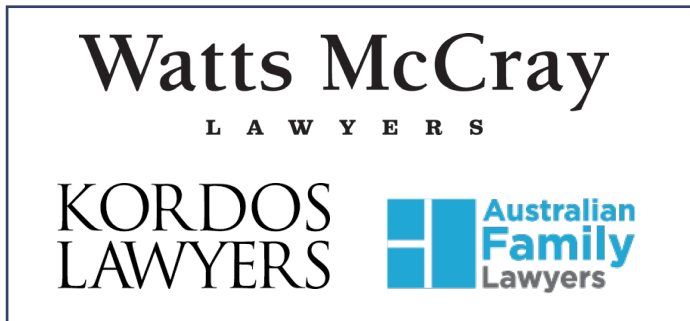
- Corporatised legal model (versus traditional “partner equity” model)
- 100% subsidiary ownership by AFL
- Base salaries with performance incentives
- No partners, fee earners earn fees and managers manage
- Growth from lateral hires and small 100% acquisitions



New

“Owner Operator” Model

- Not full ownership BUT more than 51% majority-controlled subsidiaries by AFL
- Minority owners participate in profit distributions as owners
- Ideal for long term succession planning and managing key person risk
- Growth from additional “owner operator” acquisitions



SUPPORTED BY CENTRALISED FRONT OFFICE AND BACK OFFICE FUNCTIONS

Why ?

A proven model in professional services

- ASX Listed companies in Accounting, Veterinary, Medical, Dental have proven the model
- E.g. Kelly Partners, Healthia, Pacific Smiles

Growth acceleration and retention

- Wider audience of potential partners
- Meets and compliments needs of vendors of law
- Reduces key person risk

Opportunity to expand into new areas of law

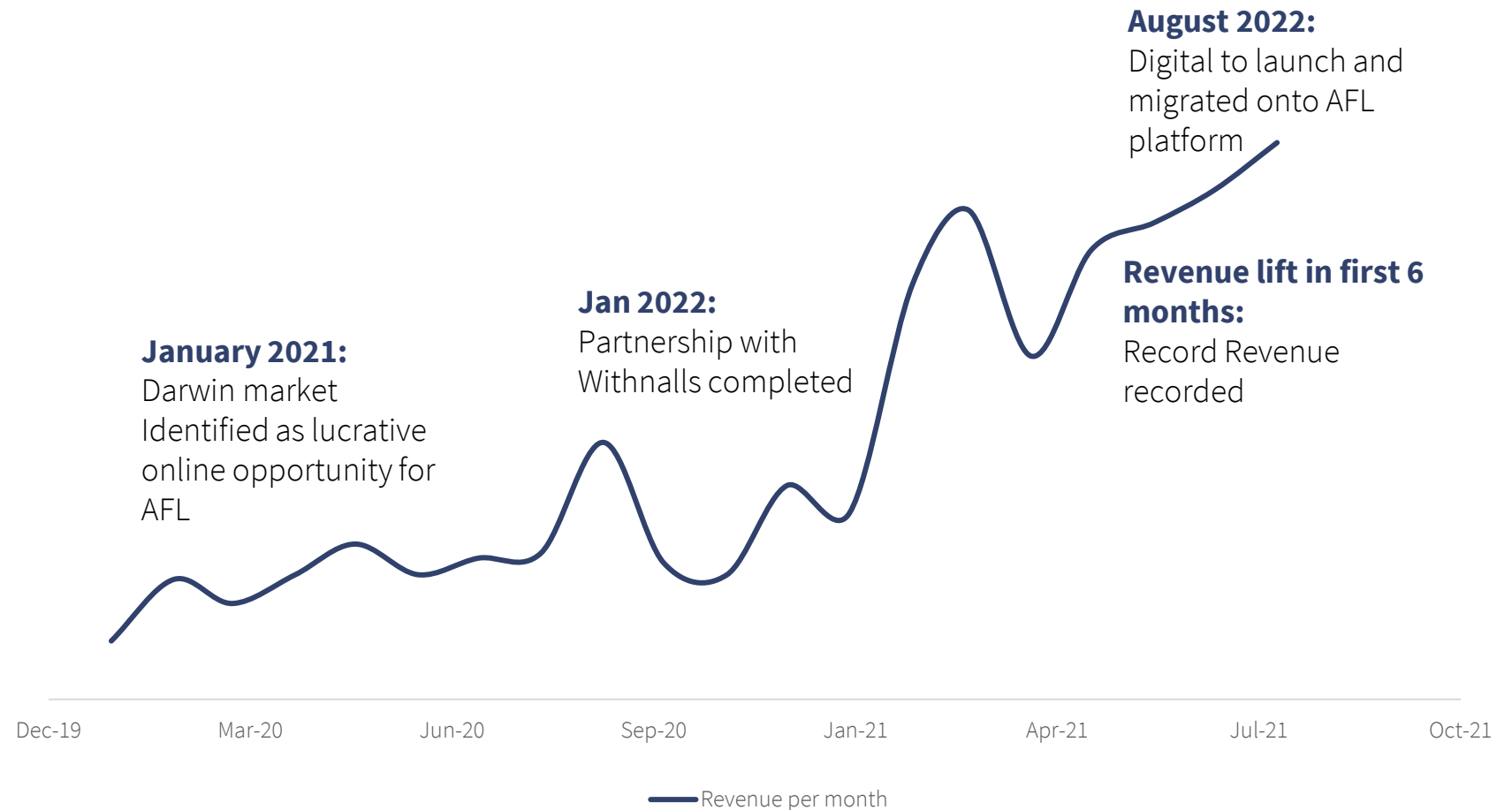
- Criminal Law
- Migration
- Commercial Law
- Traffic Law
- Contested Wills
- Admin Law

Case Study: Withnalls “Owner Operator” model



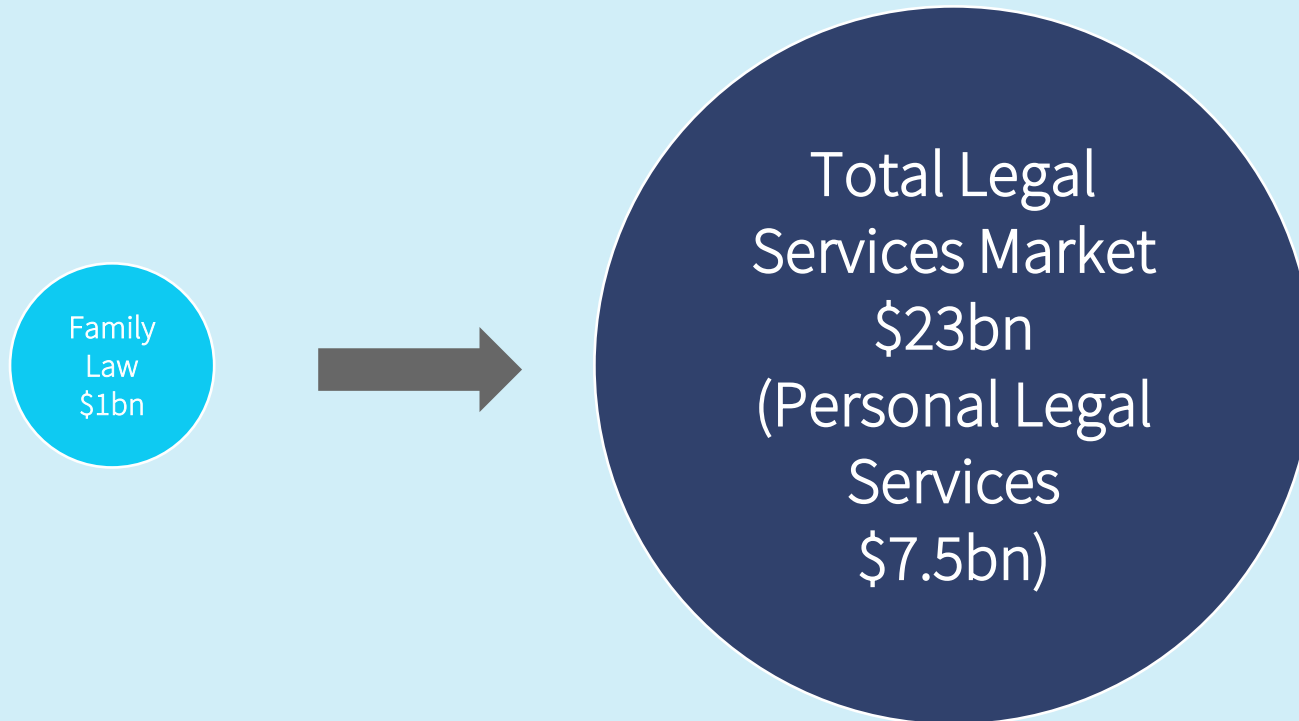
Withnalls was the first “Owner Operator” partnership launched by AFL

- Withnalls vendor was not ready to retire and wanted to partner with AFL
- AFL made the decision to roll out an “Owner Operator” model after multiple discussions with vendors in a similar position to Withnalls
- In January 2022, AFL acquired 51% of Withnalls Lawyers in the Northern Territory
- Consideration was a combination of cash (\$447k) and scrip (\$447k)
- Investment is highly earnings accretive at a ~0.5x revenue multiple with fees now at ~\$3.5m run rate per annum



AFL 3.0: Potential to expand market from \$1bn to over \$20bn

A broader legal offering would provide a much larger addressable market and diversified earnings base



✓ Australia's personal legal industry is highly fragmented and ripe for disruption

✓ Average number of lawyers per firm is 3 – 97.5% of all legal firms employ less than 20 people

✓ 18,748 private firms, employing 56,249 lawyers

✓ No major players, top four firms have less than 4% each of the total market

✓ Large firms service personal injury, large corporates and the public sector

How will we measure success?

AFL is focused on growing real value for shareholders through growth in EBITDA per share

Grow EBITDA PER SHARE by:

- 1 Improving the efficiency and earning power of our businesses
- 2 Increasing EBITDA per share through organic revenue growth
- 3 Further increasing EBITDA per share through lateral hires or small acquisitions
- 4 Further increasing EBITDA per share through the “Owner Operator” model
- 5 Capital allocation optimisation - cash or bank funding to be prioritised to minimise shareholder dilution (including share buybacks where appropriate)
- 6 Making an occasional large acquisition within and outside of Family Law



Dashboard Metric

EBITDA Margin %

Organic revenue growth %

Contribution to % revenue growth

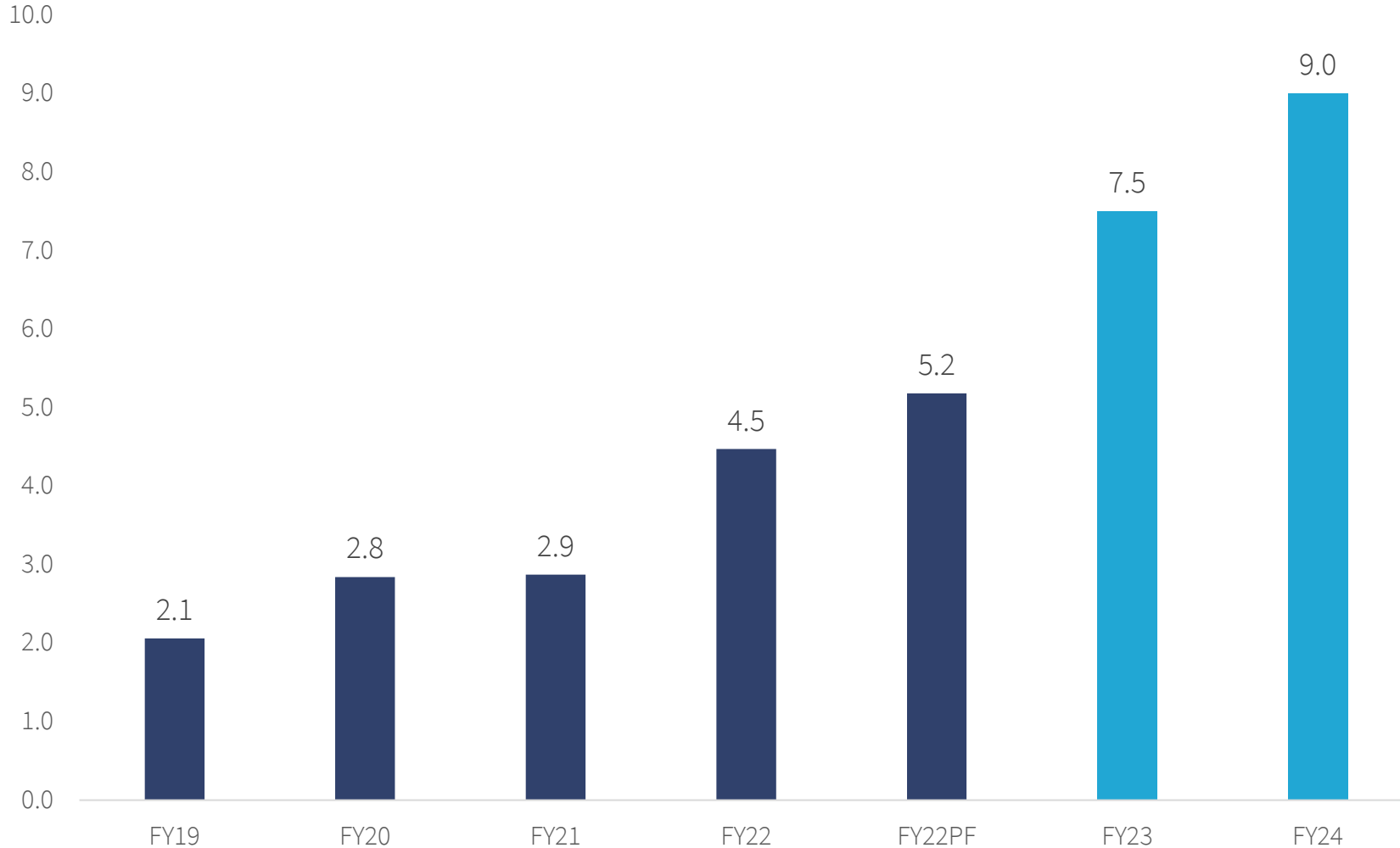
Contribution to % revenue growth

% number of shares on issue

Contribution to % revenue growth

Historical Underlying EBITDA per share growth¹

Cents per share



FY23
7.5 cents
Underlying EBITDA
per share target

FY24
9.0 cents
Underlying EBITDA
per share target

1. Underlying EBITDA per share targets for FY23 and FY24 approved by shareholders at the 2021 Annual General Meeting for the issue of Performance Rights to Directors

THANK YOU

A photograph of a family of three—a man, a woman, and a child—hugging warmly in a doorway. A small dog is visible near the child. A handbag sits on the floor in the foreground. The scene is brightly lit by natural light from the doorway. In the background, a living room with a patterned rug and a framed picture is visible.