

# INVESTOR PRESENTATION MARKET UPDATE

**FIRST 3 YEAR PLAN COMPLETE -  
THE FUTURE IS -‘AFL 3.0’**

14 November 2022

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# **OUR JOURNEY SO FAR – “AFL 2.0”**



# 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 CAGR<sup>1</sup>



**~2%**

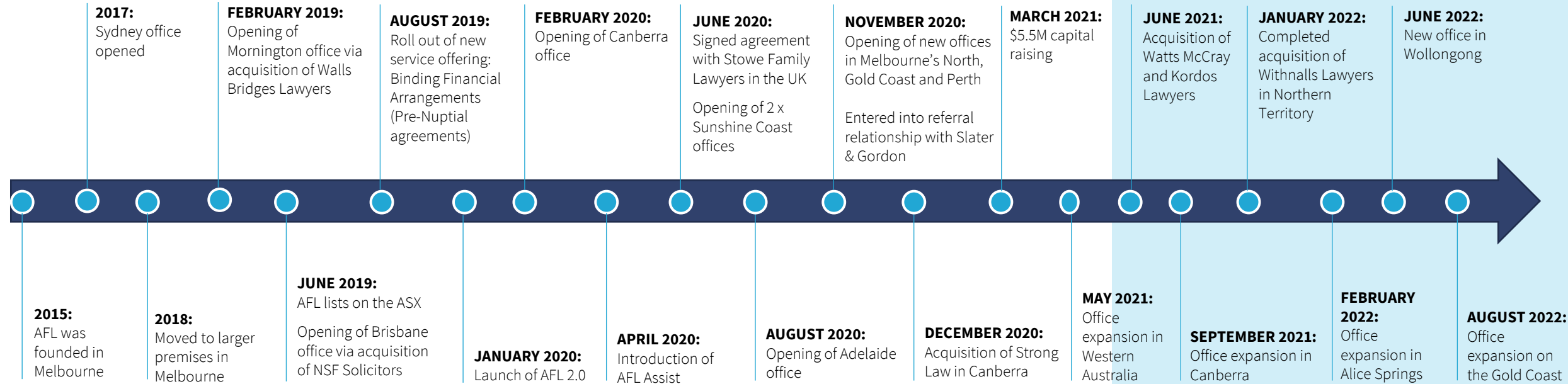
market share



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

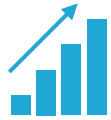
# Timeline since inception

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



# 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**<sup>1</sup> 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

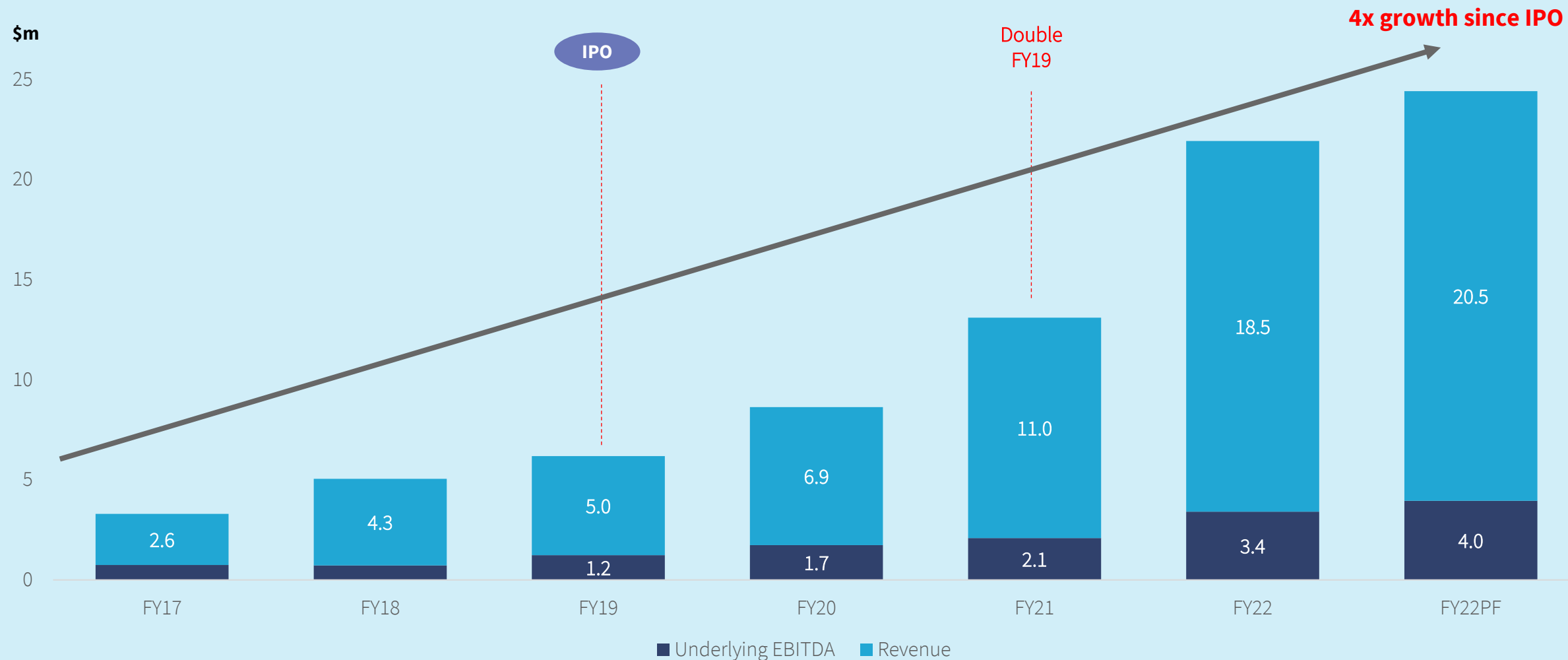
Launched **6 New Service lines** including Binding Financial Arrangements, Corporate Services, AFL Assist, Asset Protect, Faculty of Arbitration and Mediation and an International Relations Division



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

# More than 4x growth since IPO

Strong historical CAGR<sup>3</sup> 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

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# **FY22 RESULTS**



# FY22 Snapshot



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

- ✓ **FY22 Revenue and Underlying EBITDA<sup>1</sup> of \$18.5m and \$3.4m**, +68% and +63% growth respectively versus pcp
- ✓ **FY22 Pro Forma<sup>2</sup> Revenue and Underlying EBITDA of \$20.5m and \$4.0m** respectively (including full year contribution of Withnalls Lawyers)
- ✓ **Strong organic<sup>3</sup> 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** – 3<sup>rd</sup> 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

# 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

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# 2023 YTD PERFORMANCE UPDATE

# Year to Date Revenue Performance

## Revenue Performance<sup>^</sup> 1 July- 31 October 2022

### PCP Comparison

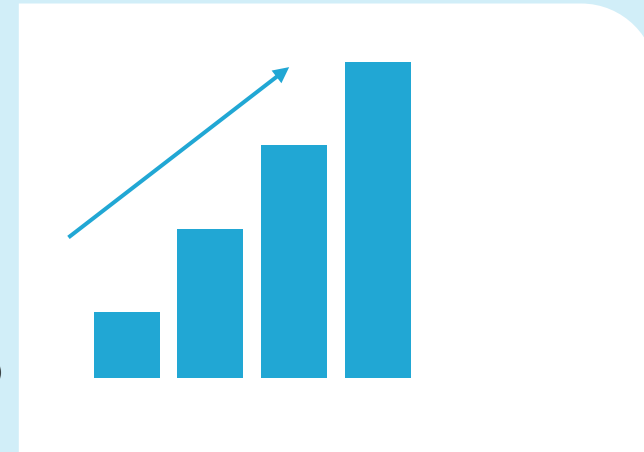
- Actual Revenue \$6.9M\* v. PCP 2021 \$6.1M +12.4%

### Organic Growth (Excluding Withnalls)

- YTD Actual Revenue \$5.6M v. PCP 2021 \$6.1M -8%

### Analysis of Labour Market Period and Impacts

- Revenue (Jan – April 22) \$6.1M v. Revenue (Jul - Oct 22) \$6.9M +12.5%



<sup>^</sup> Unaudited Management Accounts

\* Includes 100% of Withnalls Acquisition



# Addressing the Labour Market Challenges

The Challenge –

A “Perfect Storm” - Post Covid the 2022 year has seen the most difficult labour challenges seen in the legal Industry

## Rising to the Challenge

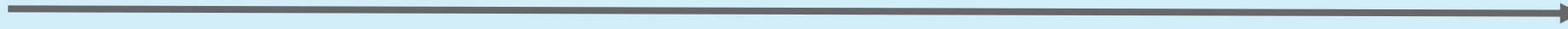
- Strengthened the AFL Employee Value Proposition (Pathways to Promotion, Leading Parental Leave, Financial Incentives, Cultural levers, Education offerings, Flexible WFH etc)
- Promoted 15 People in 2022 – leadership in legal firms is a key ingredient of success
- Strategic Recruitment Tactics
- Growing our brand to include a reputation for our career opportunities
- Opening our ownership to business partners

## Winning the Battle for Talent – Employment Metrics

- ✓ Total Staff -91 (excludes 7 off shore)
- ✓ Total Lawyers - 46
- ✓ Total Fee Earners – 74
- ✓ Fee Earner to Non- Fee Earner Ratio – 4.3
- ✓ Positive Net Increase of 8 Fee Earners
- ✓ YTD total Staff Turnover Ratio 7%
- ✓ YTD Lawyer Turnover 9.5%

# Strength of Brand, Digital, and Quality

Future focused innovation, building the brand as the “best” in the provision of quality legal services



## PROMOTING OUR STRENGTHS

Launch of AFL Group web presence – [www.aflegal.com.au](http://www.aflegal.com.au)

A place for potential business partners to learn about and join us

Careers page

Investor information

Service Promotion

## LEADERSHIP IN SUBSTANTIVE FAMILY LAW

Publication in January 2023 of “AFL Relationship Report”

Supported by the most contemporary 2022 census data this is the most comprehensive review into legal relationships in Australia, what impacts them, societal attitudes, and our legal frameworks.

All seen through the eyes of Australia’s only national Family Law Firm - AF Legal Group Ltd

## DIGITAL PLATFORM PERFORMANCE

Digital metrics July to October 22 vs PCP

+27% increase in digital file openings

+35% increase in website users

+53% growth in organic traffic to website

Cost per file declined by -28% indicating greater efficiency/reducing cost of client acquisition

## BUILDING THE BEST FAMILY LAW BRAND

Brand metrics October 22 vs PCP

PR coverage +211%  
Featured in AFR, The Australian, Lawyers Weekly, Herald Sun, SBS, The Courier Mail

+64% increase in social media followers, +23% 5 star Google Reviews  
**Awards**

Finalist for Lawyers Weekly Law Firm of the Year (3<sup>rd</sup> consecutive year)

Australia’s Fastest Growing Firms in 2022 - Australasian Lawyer Awards



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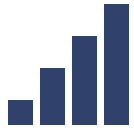
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# STRATEGY UPDATE

# 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



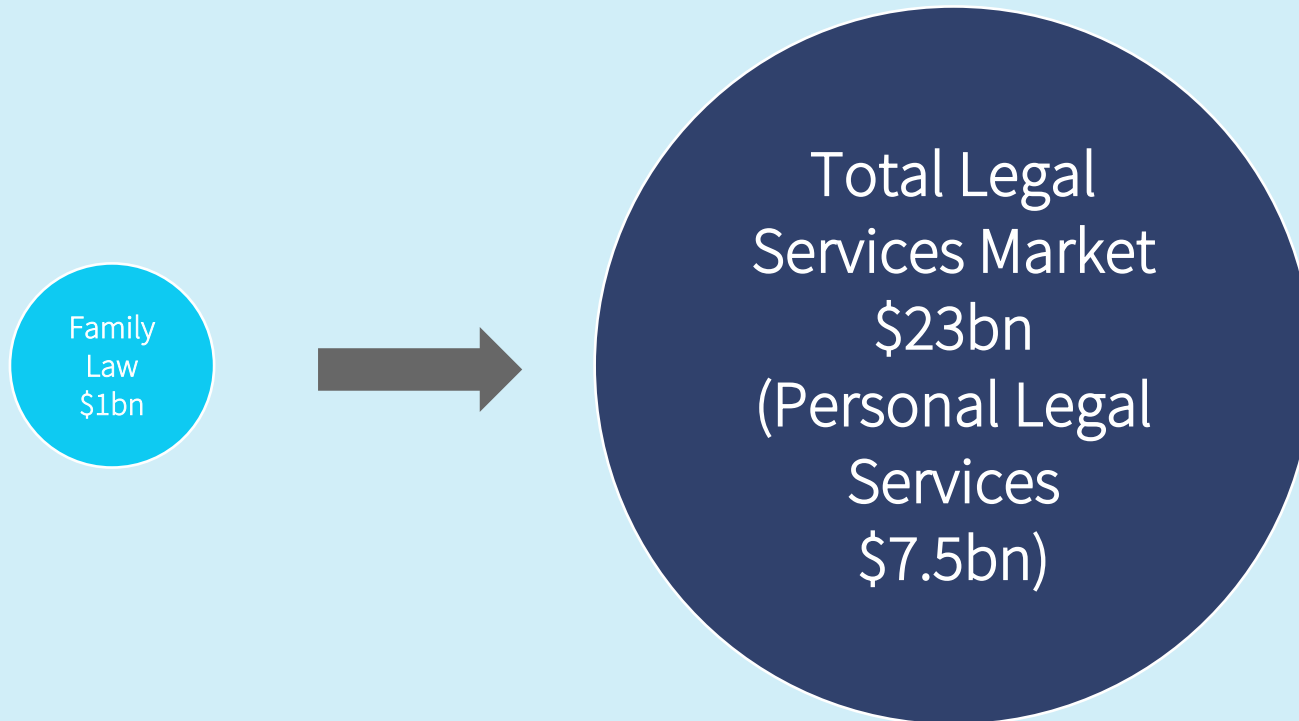
**NEW AREAS OF LAW**



- **Target 10-20% organic growth p.a.**
- Roll out digital client acquisition enhancements to improve conversion and reach
- Increase in client 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: 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



# GTC Transaction - Overview of Potential Transaction



## Transaction Overview



- AF Legal Group Limited (“AFL”) has entered into an agreement to acquire 100% of GTC Legal Group Holdings Pty Ltd, the holding company of Armstrong Legal and GTC Lawyers (“GTC”)
- The transaction will create one of the largest personal services legal firms in Australia with pro forma FY22 revenue of \$40.8 million, EBITDA of \$8.8 million and EBITA of \$6.2 million (excluding synergies which are expected to be material)
- The transaction is 40% EBITA per share accretive (pre synergies) for AFL shareholders, with proforma FY22 EBITA per share increasing from 3.5 cents per share to 4.9 cents per share

## Overview of GTC



- Founded in 2009, GTC was one of the first “platform” law models in Australia disrupting the traditional model of law firms operating within the personal legal services market
- GTC has seven offices in Australia and operates across seven segments of personal law including family law, criminal law, contested estates, civil and commercial, administrative, agency and immigration
- The business has 116 staff and generated pro forma \$20.3 million in revenue, \$4.8 million in EBITDA and \$3.6 million in EBITA in FY22

## Deal Structure



- The total consideration paid to the vendors of GTC is estimated to be 49,709,716 in AFL shares. In addition, AFL will acquire the outstanding debt in GTC at completion which is expected to be \$10 million
- At completion of the transaction, the total ownership of AFL held by the vendors of GTC is estimated to be 39%
- Given the transformational nature of the transaction, two new executive directors from GTC will be added to the Board at completion

## Transaction Timetable

**(Indicative – timing subject to Regulatory review)**



- Finalise the Notice of Meeting, Explanatory Statement and Independent Expert report - Nov/Dec 2022
- Extraordinary General Meeting of AFL shareholders Jan/ Feb 2023
- Completion of Proposed Merger – issue of shares to GTC’s shareholders Feb/March 2023

Note: Please review AFL’s ASX announcement on 18 October 2022 for further details on all disclosures included within this presentation

**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.