

8 February 2023

## **Update on Watts McCray and Kordos Acquisitions – Capital Management**

AF Legal Group Ltd (ASX: AFL) (AFL, or the **Company**) refers to its previous announcements regarding the execution of sale and purchase agreement (SPA) to acquire 100% of the shares of Watts McCray (NSW) Pty Ltd (**Watts McCray**) and the execution of a Business Purchase Agreement to acquire the assets of Kordos Lawyers.

### **Capital Management**

The Board of AFL has taken steps, in line with the company's 'AFL:3.0' strategy, to focus on capital management with the objective to avoid dilution of current shareholding, where possible. With the growth of the Company and its NAB acquisition funding facility the need for the company to utilize its share capital to acquire firms or attract talent is not necessary at this point in time. The Board is desirous of preserving shareholder value and as a step towards this, the Board has resolved to pay the earnouts of historical acquisitions with cash in lieu of shares.

### **Watts McCray**

Today the Company and the Vendors of Watts McCray have signed a Deed of Variation to the original SPA.

The proposed issue of shares (as notified in the Proposed Issue of Securities released on 11 March 2021) under the balance deferred share consideration which was supposed to be paid in 3 equal annual instalments, subject to achieving the minimum performance conditions for the financial years 2022 and 2023, has been cancelled.

Both parties have signed formal documentation endorsing that the deferred consideration for the financial years ending 30 June 2022 and 30 June 2023 will be paid in cash in lieu of the shares. A \$375,000 earn out has been achieved by Watts McCray for 2022. Due to terms of the SPA catering for a reduction of the earn out sum to offset certain transition expenses including working capital, non-related partnership expenses, and Watts McCray's partners' expenses, a total payout of \$181,500 to the partners of Watts McCray has been agreed for the 2022 earn out. This will now be paid in cash in lieu of shares. The deferred consideration for 2023 will be made in cash, subject to the minimum performance conditions.

No shares were issued for 2021 as the minimum performance conditions were not met.

### **Kordos Lawyers**

Today the Company and the Vendors of Kordos Lawyers have signed a Deed of Variation to the original Business Purchase Agreement.

The proposed issue of shares (as notified in the Proposed Issue of Securities released on 23 June 2021) under the balance deferred consideration was to be paid 50% in cash and 50% in shares. These were supposed to be paid in 3 equal annual instalments, subject to achieving the minimum performance conditions for the financial years 2022, 2023 and 2024. The Deed of Variation amends the deferred consideration to cancel all share payments and replace those payments with cash.

Kordos Lawyers has been awarded and paid its agreed 2022 earn out of \$250,000 in cash.

-ENDS-

This announcement has been approved by the Board of AFL.

**For any questions, please contact:**

**CORPORATE**

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**About AFL**

The Company and its subsidiaries (Group) principal activities is a tech enabled law firm that currently specialises in family and relationship law. The Group provides advice to clients in respect of divorce, separation, property, and children's matters together with related and ancillary services such as litigation. For more information, please visit [www.australianfamilylawyers.com.au](http://www.australianfamilylawyers.com.au).