



28 February 2023

AFL delivers H1 FY23 financial performance in line with guidance

- Results follow a thorough review and adjustment of all balance sheet items to reflect a stronger focus on financial discipline
- Focus on costs combined with improving business and recruitment conditions has left the company well positioned to focus on profitable and cash generative growth

\$'000	H1 FY23	H1 FY22	H2 FY22	FY22
Revenue (excl. disbursements)	8,827	8,615	8,369	16,983
<i>Growth on H1 FY22</i>	<i>2.5%</i>		<i>-2.9%</i>	
<i>Growth on H2 FY22</i>	<i>5.5%</i>			
NPBT	(8,528)	993	(698)	295
NPBT attributable to the owners of AF Legal Group Limited	(8,808)	993	(1,036)	(43)
Normalisation Adjustments*	8,415	347	629	976
Normalised NPBT	(113)	1,339	(69)	1,271
Normalised NPBT attributable to the owners of AF Legal Group Limited	(393)	1,339	(407)	932

**Normalisation Adjustments are as disclosed below for H1 FY23. FY22 Normalisation Adjustments for FY22 are as previously declared adjusted for the impact of the FY22 Executive Bonuses which impacted the H1 FY23 result*

The Board acknowledges the disappointing nature of these results but adds that the last four months have seen significant change and the Board and executive team are intent on returning the company to sustainable profitability.

H1 FY23 saw several one-off expenses and charges which adversely impacted our results. These included a write-down of debtors and work in progress due to adoption of a more cautious approach to provisioning for older items, whilst another followed a review of the useful lives of non-current assets. Other one-off charges included costs associated with the potential merger with GTC Legal, which did not proceed as previously announced, as well as certain expenses which were not provided for in prior periods.



The combination of the preliminary H1 FY23 results and the general revenue downturn across a number of specific geographies, necessitated a review of the carrying value of Goodwill. Further detail is provided in the notes to the Interim Financial Statements, but the outcome was the booking of a \$6.569 million goodwill impairment charge in the FY23 half-year results.

In summary, these one-off expenses, and charges included:

Impairment charge	\$6.569m
FY22 executive bonuses	\$0.353m
Business acquisition costs re GTC merger	\$0.273m
Share based payments	\$0.100m
New branch start-up costs	\$0.120m
Debtor/WIP provision adjustments	\$0.750m
Website asset useful life revision	\$0.250m
Total H1 Normalising Adjustments	\$8.415 million

Normalising the net profit before tax ("NPBT") for the financial half-year ended 31 December 2022, for one-off expenses and charges outlined above of \$8.415m, results in a normalised loss for the period attributable to the owners of AF Legal Group Limited of \$393k.

The total group normalised loss before tax for the period (attributable to both the owners of AF Legal Group Limited and the non-controlling interests) is \$113k which is within the range of breakeven to a \$0.5 million loss flagged in our Company and Trading Update of 10 February 2023.

Revenue

Revenues (excl. disbursements) of \$8.8 million represented an all time high for a half year period, and were up by \$0.2m or 2.5% on the prior corresponding period of H1 FY22 (pcp) and also up 5.5% on H2 FY22.

AFL Withnalls' Northern Territory contributed \$1.5m of the increase (Jan-22 acquisition). Allowing for this, the remainder of the Group saw a decline in Revenue (excl. disbursements) of \$1.3m, with Watts McCray Sydney, AFL Melbourne, and AFL Canberra all down.

Outlook

Whilst calendar 2022 was characterised by a challenging labour market in legal professional services, we do anticipate a more positive recruitment market for legal professionals in calendar 2023 which should limit negative impacts from a shortage of staff. We have seen signs of this already with a number of new starters having commenced in Q3 FY23.



A / F L E G A L

Level 2
326 William Street
Melbourne VIC 3000

P | 1300 997 056
W | aflegal.com.au
ACN: 063 366 487

Whilst January is traditionally a quiet period for our lawyers due primarily to school and festive season holiday impact, our Q3 activity so far has us cautiously optimistic as to an overall lift in revenue across the remainder of H2 FY23.

Our most recent office openings in Wollongong, Gold Coast and Bayside Brisbane are showing signs of increased activity which should have a positive impact on our revenue performance. In addition to our newer opened offices, we highlighted our Watts McCray Sydney based business in our ASX announcement of 10 February 2023 as seeing a lift in productivity which is continuing. Similar productivity lifts are evident in our WA and ACT operations, whilst our Withnalls Darwin based business continues to perform strongly.

With our legal management system changes largely completed, we are focused on driving our existing businesses to improved performance across all metrics for calendar 2023 and beyond. We see H2 FY23 and calendar 2023 in general as a period of stability for AF Legal as we concentrate on returning our business to profitability. To this end, we continue to pursue appropriate cost reduction opportunities.

Our balance sheet is robust following a series of prudent financial decisions adopted in our half year accounts. We remain essentially debt free and also retain our undrawn \$10 million NAB acquisition debt facility ready for the appropriate opportunity. Whilst we focus on our existing businesses, we will continue to pursue similar lateral hire branch openings through our partnership model which has shown pleasing results to date and which represents a low-risk growth strategy for us.

We continue to investigate possible acquisition opportunities to grow our revenue base. The Board retains its commitment to our longer-term growth aspirations as set out in the AFL 3.0 strategy, through a combination of organic and inorganic growth opportunities.

This announcement was approved for release to the ASX by AFL's Board of Directors.

-ENDS-

For any questions, please contact:

Priyamvada (Pia) Rasal - Company Secretary

Pia.rasal@automicgroup.com.au

+61 3 7037 9545

