



9 May 2023

AFL delivers improved financial performance and a profitable Q3 FY23

- Net Profit Before Tax [NPBT] (attributable to the owners of AF Legal Group Limited) of \$340k represents a significant improvement on both the normalised NPBT Loss of (\$393k) for H1 FY23 and the normalised NPBT Loss of (\$407k) for H2 FY22
- Improving Revenue levels for the quarter represented a +11.1% increase on average weekly revenue for H1 FY23 (+17.2% on H2 FY22)

\$'000	Q3 FY23	H1 FY23	H2 FY22
Revenue (excl. disbursements)	4,904	8,827	8,369
Average Weekly Revenue [AWR] (excl. disbursements)	377	339	322
<i>AWR Growth on H1 FY23</i>	<i>11.1%</i>		
<i>AWR Growth on H2 FY22</i>	<i>17.2%</i>	<i>5.5%</i>	
NPBT	486	(8,528)	(698)
NPBT attributable to the owners of AF Legal Group Limited	340	(8,808)	(1,036)
Normalisation Adjustments*	-	8,415	629
Normalised NPBT	486	(113)	(69)
Normalised NPBT attributable to the owners of AF Legal Group Limited	340	(393)	(407)

*Normalisation Adjustments for H1 FY23 & H2 FY22 are as previously declared as at the H1 FY23 Results Announcement released on 28 February 2023

The Q3 profit result and the associated revenue lifts were pleasing given the Q3 period includes a traditionally slow January. Revenue lift was strongest across our Sydney based Watts McCray business which had a busy start to calendar 2023.

Our Cash balance has held up well during what is a traditionally slower period with the late December and January holiday period impacting receipts whilst cost outflows remain largely unchanged.



A / F L E G A L

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Overall Cash declined by \$600k from \$2.4m at the end of H1 FY23 to \$1.8m at the end of Q3. This was due to outflows related to dividend payments and one-off expenses which were previously accrued at end H1 FY23 but paid in Q3 FY23. These included:

- AFL Withnalls dividend (H1 FY23 & H2 FY22) to minority shareholder \$350k
- Acquisition and legal costs (accrued at end H1 FY23) \$285k
- 5 months' rent held back due to landlord billing issues (accrued at end H1 FY23) \$150k

Outlook

We are beginning to see the benefits of targeted operational efficiencies and a more favourable market for high quality lawyers. In the next quarter our focus remains on stability, further efficiency gains, cash generation and modest profitable growth. Achievement of these goals will provide a platform for more vigorous growth initiatives in FY24; always with a focus on profitability and sensible capital allocation.

Management Structure

The resignation of Stace Boardman will see AFL operate with a hybrid management structure for the foreseeable future. Chris McFadden will hold the roles of CFO and COO. We are in the process of adding a senior accountant to support Chris and allow him to take on a more strategic and operational stance. Grant Dearlove, as Legal Practice Director, complements Chris' role by applying his deep experience in managing legal practices and spearheading our ongoing M&A strategy. The Board of Directors remains involved in overseeing and assisting management.

This structure is working well and is a cost-effective solution for the current stage in the evolution of the company. We expect to move to a more traditional management structure over time.

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

-ENDS-

For any questions, please contact:

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