



31 August 2023

**AFL delivers H2 FY23 profitability on the back of strong revenue growth**

- The half delivered a net profit before tax (“NPBT”) attributable of \$622k after losses of (\$463k) and (\$407k) in H1 FY23 and H2 FY22 respectively
- Q4 profitability of \$409k built upon Q3 at \$213k
- Revenue for FY23 was up 11.2% on pcp with H2 particularly strong, up 20.1%
- Results follow the completion of a thorough review and adjustment of all balance sheet items to reflect a stronger focus on financial discipline

\$'000	FY23	H2 FY23	Q4 FY23	Q3 FY23	H1 FY23	H2 FY22	FY22
<b>Revenue (excl. disbursements)</b>	<b>18,881</b>	<b>10,054</b>	<b>5,046</b>	<b>5,008</b>	<b>8,827</b>	<b>8,369</b>	<b>16,983</b>
<b>Average Weekly Revenue [AWR] (excl. disbursements)</b>	<b>363</b>	<b>387</b>	<b>388</b>	<b>385</b>	<b>339</b>	<b>322</b>	<b>327</b>
<i>AWR Growth on H1 FY23</i>		13.9%	14.3%	13.5%			
<i>AWR Growth on H2 FY22</i>		20.1%	20.6%	19.7%	5.5%		
<i>Growth on FY22</i>	11.2%						
<b>NPBT</b>	<b>(7,556)</b>	<b>972</b>	<b>486</b>	<b>486</b>	<b>(8,528)</b>	<b>(698)</b>	<b>295</b>
<b>NPBT attributable to the owners of AF Legal Group Limited</b>	<b>(8,256)</b>	<b>551</b>	<b>211</b>	<b>340</b>	<b>(8,807)</b>	<b>(1,036)</b>	<b>(43)</b>
Normalisation adjustments*	8,415				8,415	629	976
Phasing adjustments**	-	71	198	(127)	(71)		
<b>Normalised NPBT</b>	<b>859</b>	<b>1,043</b>	<b>684</b>	<b>359</b>	<b>(184)</b>	<b>(69)</b>	<b>1,271</b>
<b>Normalised NPBT attributable to the owners of AF Legal Group Limited</b>	<b>159</b>	<b>622</b>	<b>409</b>	<b>213</b>	<b>(463)</b>	<b>(407)</b>	<b>932</b>

\*Normalisation adjustments are as disclosed previously 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

\*\* Phasing adjustments are corrections for minor timing errors found during the final round of extensive balance sheet and financial report reviews which took place progressively over H2 FY23 following the appointment of Chris McFadden as CFO

The Board acknowledges the disappointing nature of these full year results which were the result of the prudent actions taken and outlined in our financial results for the first half ended 31 December 2022. The promise outlined in that announcement is reflected in a second half NPBT attributable to the owners of the AF Legal Group Limited of \$622k. This is a significant improvement on losses of (\$463k) and (\$407k) for H1 FY23 and H2 FY22 respectively. The momentum has built across the half also with the NPBT attributable lifting from \$213k in Q3 to \$409k in Q4. The ‘phasing adjustments’ made in the table above help to reflect actual timing of accrued profit. They have been made following a final and thorough review of legacy accounting practices within the firm. The Board is intent on ensuring that in FY24 the presentation of results is more consistent and transparent.



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The Normalised NPBT attributable for the financial year ended at a profit of \$159k. We called out H2 FY23 and calendar 2023 in general as a period of stability for AF Legal as we concentrated on returning our business to profitability, and we are delighted this has been achieved across H2 FY23 but remain committed to further improvement across financial year 2024.

As disclosed in our half year accounts for the period ended 31 December 2022, H1 FY23 saw several one-off expenses and charges which adversely impacted our results. These were fully disclosed in these accounts but in summary, these one-off expenses, and charges included:

Goodwill 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
<b>Total H1 Normalising Adjustments</b>	<b>\$8.415 million</b>

H2 FY23 saw no further normalising adjustments other than the phasing adjustments mentioned earlier.

Normalising the NPBT for the half year one-off expenses and charges outlined above of \$8.415m and the phasing adjustments results in a normalised profit before tax attributable to the owners of AF Legal Group Limited for the financial year ended 30 June 2023 of \$159k.

## Revenue

Revenues (now reported excluding disbursements) of \$18.9 million continues our trend of year-on-year top line growth with the year up by \$1.9m or 11.2% on the pcp. H2 FY23 was particularly strong with revenue up 20.1% on H2 FY22 (H1 FY23 was up just 2.5% on H1 FY22). Average Weekly Revenue for Q4 was \$388k per week, a new high for our organisation, with H2 FY23 average of \$387k (H1 FY23 \$339k & FY22 \$327k)

AFL Withnalls' Northern Territory contributed \$1.85m of the increase (Jan-22 acquisition), with a further \$0.6m coming from our newer late 2022 opening operations in Wollongong and the Gold Coast (part year). Allowing for this, the remainder of the Group saw a slight decline in revenue (excl. disbursements) of \$0.55m, with Watts McCray Sydney, AFL Melbourne, and AFL Canberra all down slightly. Revenue trends for all brands and practices were significantly stronger in H2, with all brands and most offices showing second half growth. We are confident we will build on this trend across financial year 2024.



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## Management Refresh

Whilst the back half of financial year 2023 was characterised by a focus on our existing business we also made changes for the future, refreshing our senior executive structure with the appointments of Chris McFadden as Chief Executive Officer and Stace Boardman as Chief Financial & Operation Officer in early July 2023. Chris and Stace are both passionate about the importance of our people, and the board and management have elevated the priority of building a truly people-first culture within AFL. We have already taken positive steps in this regard, including implementing several new policies and a revised incentive programme for our fee earners. We are confident that this shift will position us as an employer of choice in the continuing competitive market for professional talent.

## Outlook

Financial year 2023 saw us open new offices in Wollongong, Gold Coast and Bayside Brisbane, with all showing promising signs and growing revenues which should have a positive impact on our overall revenue performance. Among our existing operations, our Watts McCray Sydney based business strengthened significantly during the second half. Similar second half revenue strength is evident in our QLD and WA operations, whilst our Withnalls Darwin based business continues to perform strongly. Of our remaining operations, Melbourne second half was in line with prior year, whilst ACT was slightly down but as with our other operations all showing positive signs with continued improvement the goal.

Our balance sheet is robust following a series of prudent financial decisions adopted in our half year accounts. We are debt free and retain our undrawn NAB acquisition debt facility should an appropriate opportunity arise. Our small size means that we would benefit from the diversification of earnings that could be quickly achieved via an acquisition. However, our focus will be on trying to continue organic revenue growth with an increased profit margin and robust cash collection. We understand that the market needs to see a sustained period of consistency to regain trust in our business.

A first quarter update with unaudited earnings figures will be provided at the AGM on 14 November 2023.

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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