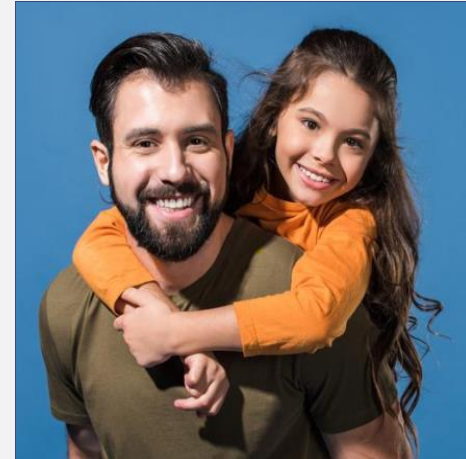




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Investor Presentation

FY23 – 31 August 2023



FY23 Highlights



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- **AFL returns to profitability** delivering H2 FY23 Normalised NPBT attributable to the owners of AFL of \$622k and \$159k for the financial year ended 30 June 2023, after losses in H1 FY23 [Loss (\$463k)] and H2 FY22 [Loss (\$407k)]
- Results follow the completion of 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** leaves AFL well positioned to focus on profitable and cash generative growth
- **H2 Revenues** (excl. disbursements) **surged**, lifting by +20.1% on H2 FY22
- **Zero debt** and a **net cash inflow from operating activities** of \$1.065 million
- **Management refresh** with the appointment of Chris McFadden as CEO and Stace Boardman as CFO/COO
- Shift to a **people-first culture**, ensuring our people are at the centre of everything we do
- **New office openings** in Gold Coast and Bayside Brisbane
- **Renegotiated four key office leases** delivering ongoing cost savings
- **Completed migration onto single IT and operations platform**, upon which future acquisitions will be integrated



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01

FINANCIAL RESULTS FY23

Profitability returns in second half



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	2023	2022
	\$'000	\$'000
Revenue	18,881	16,983
Expenses		
Cost of sales	84	9
Employee expenses	(11,276)	(9,430)
Administrative expenses	(3,020)	(2,621)
Other expenses	(3,591)	(2,018)
Share based payment expense	(84)	(945)
Depreciation expense	(1,242)	(1,294)
Amortisation expense	(739)	(389)
Impairment expense	(6,569)	-
Total expenses	(26,437)	(16,688)
Profit/(Loss) before income tax	(7,556)	295
Income tax (expense)/benefit	(37)	(391)
Profit/(Loss) for the year after income tax	(7,593)	(96)
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income/(loss) for the year	(7,593)	(96)
Profit/(Loss) for the year attributable to:		
Non-controlling interest	509	311
The owners of AF Legal Group Ltd	(8,102)	(407)
Total comprehensive income/(loss) for the year attributable to:		
Non-controlling interest	509	311
The owners of AF Legal Group Ltd	(8,102)	(407)
Total comprehensive income/(loss) for the year	(7,593)	(96)

- Headline NPAT attributable to the owners of the AF Legal Group Limited for full year FY23 was a loss of (\$8.1m)
- Normalised NPBT attributable to the owners of the AF Legal Group Limited for full year FY23 was a profit of \$159k
 - Normalised NPBT attributable for H2 FY23 of \$622k a big improvement on the losses of (\$463k) and (\$407k) for H1 FY23 and H2 FY22 respectively
- Revenues of \$18.9 million up by \$1.9m or 11.2% on FY22
- H1 FY23 saw \$8.415 million in one-off expenses and charges which adversely impacted our results
 - Goodwill impairment charge \$6.569m
 - Debtor/WIP provision adjustments \$0.750m
 - Website asset useful life revision \$0.250m
 - 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
- Results follow the completion of a thorough review and adjustment of all balance sheet items to reflect a stronger focus on financial discipline

Profitability returns in second half



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

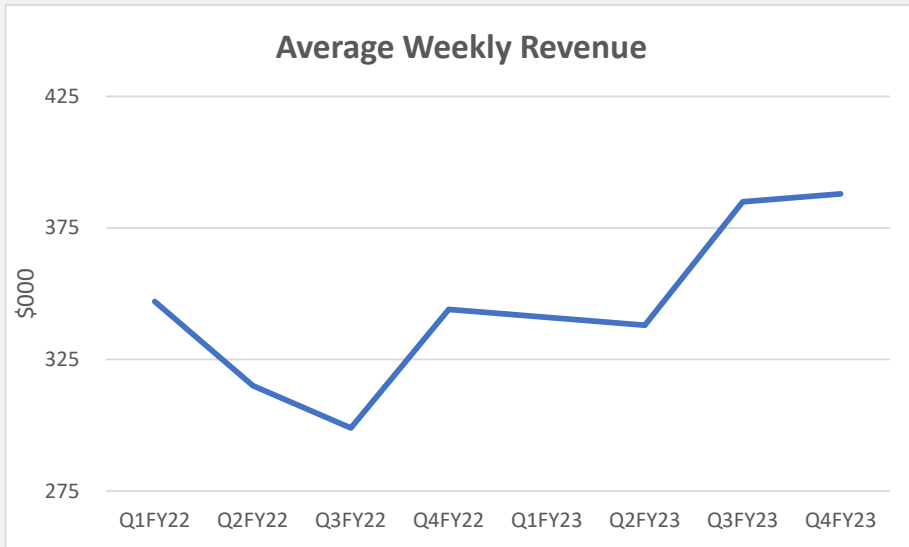
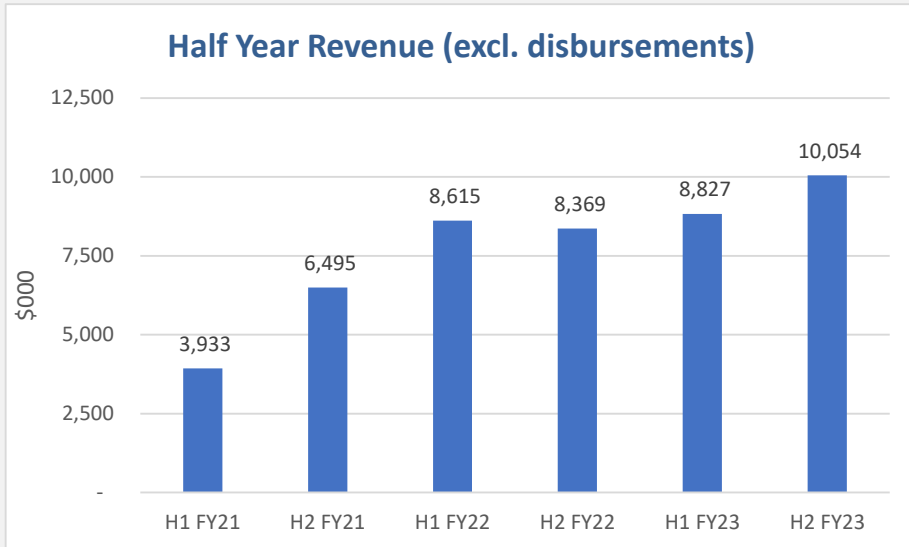
- H2 FY23 saw no further Normalising adjustments other than some minor Phasing adjustments which resulted from the final review of the balance sheet and the profit and loss, which are included in the table above to arrive at a Normalised and Phased view of FY23 by half (H1 FY23 & H2 FY23), also including further detail in relation to H2 FY23 in the form of the Q3 FY23 & Q4 FY23 numbers. Also included for reference are the full year FY22 numbers along with H2 FY22.

- This Normalised and correctly Phased view shows a marked improvement across H2 FY23 with a Normalised NPBT attributable profit of \$622k, which represents a significant uplift on the loss of (\$463k) for H1 FY23 and also the loss of (\$407k) for H2 FY22.
- The Normalised NPBT attributable for the financial year ended at a profit of \$159k.

Revenue – strong growth across second half



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- Revenues (excl. disbursements) of \$18.9 million for FY23 continues our trend of year-on-year top line growth with the year up by \$1.9m or 11.2% on the prior corresponding period of FY22 (pcp)
- H2 FY23 was particularly strong with revenue of just over \$10.0m our highest ever half year result, up 20.1% on H1 FY22
 - H1 FY23 was up just 2.5% on H1 FY22
- Average Weekly Revenue for Q4 was \$388k per week, another new high for our organisation, with H2 FY23 average of \$387k (H1 FY23 \$339k & FY22 \$327k)
 - FY22 Q2 & Q3 drop stabilised in Q4 FY22 to Q2 FY23 but Q3 & Q4 FY23 have seen significant lifts
- Withnalls Darwin, AFL WA and AFL Brisbane have performed well across the year
- New AFL offices at Wollongong, Gold Coast and Bayside Brisbane are all showing promising signs and growing revenues
- Watts McCray Sydney has strengthened significantly across H2, with AFL Kordos Melbourne largely flat and AFL ACT down slightly but as with our other operations all showing positive signs

Balance Sheet – now clean and debt free



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	2023	2022
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	2,052	3,749
Trade and other receivables	4,476	4,403
Other current assets	896	951
Total current assets	7,424	9,103
Non-current assets		
Deferred tax assets	1,907	907
Right to use assets	3,683	1,490
Plant and equipment	649	437
Intangible assets	4,382	11,507
Total non-current assets	10,621	14,341
Total assets	18,045	23,444
Liabilities		
Current liabilities		
Trade and other payables	2,880	2,161
Current tax liabilities	243	738
Deferred consideration	1,194	1,375
Lease liabilities	792	376
Borrowings	-	116
Provisions	-	264
Employee benefits	801	731
Total current liabilities	5,910	5,761
Non-current liabilities		
Deferred tax liabilities	1,458	987
Lease liabilities	2,904	1,142
Deferred consideration	250	500
Provisions	310	30
Employee benefits	171	119
Total non-current liabilities	5,093	2,778
Total liabilities	11,003	8,539
Net assets	7,042	14,905

- Net assets at \$7.0m were down \$7.9m on the prior year (2022: \$14.9m) but up slightly on the H1 position of \$6.9m which was significantly impacted by the \$7.6m in balance sheet write downs (primarily Goodwill \$6.6m, Debtors/WIP \$0.75m and Website useful life revision \$0.25m)
- Noteworthy balance sheet movements since the end of the financial year ended 30 June 2022 include:
 - Cash balance down by \$1.7m – refer to Cash Flow comments below
 - Right to use assets up \$2.2m – 4 new long term office leases with three significant 5-year leases
 - Intangibles down by \$7.1m – Goodwill impairment \$6.6m, Website useful life revision \$0.25m
 - Deferred tax assets up by \$1.0m
 - Trade and other payables up by \$0.7m
 - Non-current lease liabilities up by \$1.8m – new leases (Current lease liabilities up \$0.4m)
- ZERO borrowings with the \$10m NAB debt facility remaining in place, undrawn but available for the appropriate opportunity

Cash Flow – much improved in second half



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	2023	2022
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	23,191	19,416
Payments to suppliers and employees	(21,923)	(17,712)
Net interest received	(2)	(119)
Income tax paid	(200)	(484)
Net cash from operating activities	1,065	1,040
Cash flows from investing activities		
Payments for purchase of fixed assets	(582)	(235)
Payments for business combinations	-	(447)
Payments of deferred consideration	(432)	(63)
Payments for purchase of intangible assets	(183)	(210)
Net cash used in investing activities	(1,197)	(955)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Payment of Dividends	(351)	-
Payments of lease liabilities	(1,098)	(1,058)
Payment of borrowings	(116)	-
Proceeds from borrowings	-	64
Net cash from/(used in) financing activities	(1,565)	(994)
Net increase/(decrease) in cash and cash equivalents	(1,697)	(909)
Cash and cash equivalents at the beginning of the financial year	3,749	4,658
Cash and cash equivalents at the end of the financial year	2,052	3,749

- The operating cash flow for the FY23 financial year was an inflow of \$1.065 million (FY22: inflow of \$1.04 million)
 - Adjusting for the impact of the repayment of lease liabilities (now in “Cash Flows from Financing Activities” under AASB16) this would be a net cash outflow of \$33k
- Operating cash flow was much stronger in the second half, reflective of the significantly improved performance outlined above, with an inflow of \$1.03 million for the second half (H1 FY23 inflow \$36k)
- The overall net decrease in cash held of \$1.7 million was then the result of the net cash used in investing activities of \$1.2m (\$0.58m for fixed assets, \$0.18m for website intangibles, plus \$0.43m in deferred consideration) plus the net cash used in financing activities of \$1.6m (\$1.1m lease liabilities and \$0.35m dividend payments to NCIs)



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02

FY24

FOCUS AND OUTLOOK

Focus & Outlook



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People-first culture

- Focus on onboarding, professional development, continual education, mentorship and care for the individual
- Focus on junior lawyers with a clear capability and professional development program and a defined career path
- Greater autonomy and involvement for our Practices & Practice Leaders
- High performance culture characterised by open communication and mutual respect



New Client Activity

- Follow up on the successful 2023 launch of our “Australian Relationship Report” – the first of its kind in Australia
- Business development Initiatives: Corporate services; new service offerings; maintain leading national media voice
- Introduce Net Promoter Score client feedback mechanism across all our brands and markets



Profitability

- Return to meaningful profit levels in FY24
- High performance culture to drive revenue, incentivised through a more rewarding bonus scheme
- Cost reduction in corporate overheads and operational costs
- Invest in our most important resource, our people. Profitability and growth will naturally follow



Proven growth model

- Expand into new regions and continue lateral hires as low risk expansion strategy
- Grow existing practices through increased recruitment activity
- Emphasis on cultural alignment
- NAB acquisition debt facility remains undrawn available for the appropriate opportunity
- The Board retains its commitment to our longer-term growth aspirations through a combination of organic and inorganic growth opportunities



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Thank You