



A / F L E G A L

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## Chairman & Chief Executive Officer 2023 AGM Addresses

### Chairman's address – Rick Dennis

Dear Shareholders

AF Legal Group's results for financial year 2023 were definitely a case of two halves. The first half saw several actions undertaken which significantly impacted our financial results, but which left us in the right shape to move forward. The second half of 2023 did exhibit pleasing levels of improvement both in terms of revenue growth and profitability.

Revenue for the second half of 2023 was up by 20% on the prior corresponding period which represented a marked improvement on the 5.5% growth achieved over the first half.

We have, as we have previously mentioned, moved to viewing our profit at a Net Profit Before Tax attributable (NPBT attributable) to the owners of the AF Legal Group Limited.

Pleasingly, our profitability lifted similarly across the second half of 2023, delivering a NPBT attributable of \$622k. This was a marked improvement on the Normalised NPBT attributable Loss of (\$463k) achieved for the first half of the year.

I am pleased to report that these positive trends across the second half of 2023 have continued, as you will see from the FY 24 Q1 results Chris will provide in his presentation.

This improved performance across the second half of the financial year was achieved through a strong focus on our existing business, with no acquisition or similar activity impacting this period. The Board also oversaw a refresh of our senior executive structure with the initial appointment of Chris McFadden as CFO & COO in March 2023 and then the appointments of Chris as CEO and Stace Boardman as CFO & COO in early July.

I am pleased to report that Chris and Stace have hit the ground running in financial year 2024 under a remit of building a truly people-first culture across AFL and it has been pleasing to see the visible changes and the overall shift across our organisation. I'm sure Chris will expand upon this but we remain confident that this shift will position us as an employer of choice in the continuing competitive market for professional talent.

Following the prudent financial decisions adopted in our half year 2023 accounts, our balance sheet is relatively robust, and we are debt free. Our undrawn NAB acquisition debt facility remains available should an appropriate opportunity arise. We remain in discussions on a number of potential acquisition opportunities, but in the interim, we remain focused on our continued organic growth, improving



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profitability and lifting cash conversion. We remain committed to delivering a sustained period of consistency and improvement to re-establish market confidence in our business and when they come along, any acquisition activity will enable us to benefit further from the diversification of earnings that could be quickly achieved given our current relatively small size.

I wish to acknowledge and thank Grant Dearlove who today leaves the group, as announced to the ASX on 12 September 2023. Grant has been an instrumental part of the growth of Australian Family Lawyers since the company listed on the ASX in June 2019. Joining the Company to steer its successful listing, Grant assumed the role of Executive Chair of the Company from March 2019 until June 2022. During this period the Company successfully navigated the COVID pandemic, acquired 6 law firms, expanded to 20 locations, and undertook two successful capital raises. Grant led the Company to become the largest national family law firm in Australia. After stepping down as Chair, and Director prior to the 2022 AGM, Grant acted as a consultant to AFL. Since its listing, revenue has grown from \$4.9 M to \$18.8 M in financial year 2023. The board of AFL wishes Grant every success as he now pursues his many business interests outside the group”.

### CEO’s Address – Chris McFadden

As Rick mentioned, since Stace and I came together as the new senior executive team we have made great strides towards establishing a people-first culture at the AF Legal Group and in ensuring our people are at the centre of everything we do.

Some of the changes were put in place in July and August, with others built upon at our Leadership Conference held in Melbourne during September 2023 under the theme, “Shaping our future together”. Whilst many areas were covered across the two days, the three key streams were:

1. Leadership in a People-first culture;
2. People-first and the Client Experience; and
3. People-first Wellness and Safety at work

In many ways our People-first culture has already evolved so that AF Legal moves forward in financial year 2024 as an organisation that is people-first and client focused. We are committed to doing everything possible to enable our team to deliver the ultimate client experience and have many developments in the planning stage as well as ramping up client feedback mechanisms to ensure we are hitting the mark.

So far on our people-first journey we have:

- reset team salaries with an emphasis on equivalency and market appropriate remuneration;
- revised our bonus scheme to drop the hurdle and increase the reward %, delivering greater incentives to our fee earners;
- fully revised and expanded our broader Reward & Recognition policy;
- introduced a Legal Leadership Team comprised of our most senior legal leaders to identify issues facing our practices and establishing project teams to address these;
  - our initial project is underway focused on Junior Lawyer Career pathways;
- greater autonomy for Practice Leaders and our Practices;



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- moving the default response in our organisation from “no” to “yes”, needing a good reason for “no”;
- modified criteria around our industry leading Parental Leave programme to enhance its attractiveness to team members;
- numerous other policy and procedure tweaks;
- ..... with much more to come

We also undertook an Employee Engagement survey at the start of financial year 2024 and it is safe to say it set the base for us to improve off. But improve we have, the buzz around almost all of our offices have lifted appreciably and teams are coming together in great style and beginning to lift performance month on month.

Our digital journey continues, and we are progressing towards our initial goal of 50-50% organic website traffic to paid ad words. Q1 saw us hit 40% organic for the first time and work continues around enhancing our SEO capability. Our cost per digital file continues to decrease significantly, now at \$523 for Q1 (FY23: \$887 & FY22: \$1,260), with website users up 55% for Q1 (FY23: 37%). Our digital focus remains as strong as always and we are pleased with the improving trends across most metrics.

All of this has delivered a lift in revenue which we will see shortly in our brief Q1 FY24 presentation. This strengthening organic growth through productivity improvements has also been assisted by growing our teams where we believe the demand exists and we are favouring a recruitment approach that leans to one too many rather than one too few.

Word appears to be spreading of our people-first shift and our ability to attract quality candidates through referrals, particularly through our existing team members, has increased, which is a positive sign of our cultural shift. Additionally, we already have one of our former senior lawyers re-joining us shortly and are in discussions with others, so again, a great vote of confidence in our people-first culture message which is getting out beyond even our existing team.

So, as you may have gathered, I am very excited for the bright future I see ahead for AF Legal and am grateful to all our dedicated and committed team members who are taking us forward in such a positive manner.

We have done the hard work in resetting our governance, both financial and surrounding our people. We now move forward with a strong focus on profitable growth, initially organic but when the time is right acquisitions will also play a role in our growth.

Whilst H2 FY23 and Q1 FY24 trends are positive I am firmly convinced the best is yet to come.

We will now turn our attention to our Q1 FY24 results snapshot included in the Company's presentation.

This ASX announcement was approved by the Chair of AF Legal Group Ltd.



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-ENDS-

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