



30 August 2024

AF Legal Group delivers highest ever Revenue and Profit results for FY24

- Normalised NPBT attributable to owners of AF Legal Group of \$0.8 million, an all-time high and a \$0.6 million increase on prior corresponding period (pcp)
- Revenue growth of 15% on pcp, with Q4 average weekly revenue of \$465k per week, a new high
- Armstrong Contested Wills & Estates (ACWE) was acquired in April 2024 with their first quarter results (Q4) pleasingly exceeding expectations

\$'000	FY24	Q4 FY24	Q3 FY24	Q2 FY24	Q1 FY24	FY23	H2 FY23	H1 FY23
Revenue*	21,661	6,051	4,899	5,167	5,543	18,881	10,054	8,827
Average Weekly Revenue [AWR] (excl. disbursements)	417	465	377	397	426	363	387	339
<i>AWR Growth on prior Qtr</i>		23%	-5%	-7%	10%			
<i>AWR Growth on pcp</i>		20%	-2%	18%	25%		14%	5%
<i>Growth on prior FY</i>	15%					11%		
NPBT	1,476	449	34	434	559	(7,556)	972	(8,528)
NPBT attributable to the owners of AF Legal Group Limited	607	246	(149)	154	356	(8,256)	551	(8,807)
Normalisation adjustments**	174	174				8,415		8,415
Phasing adjustments***							71	(71)
Normalised NPBT	1,650	623	34	434	559	859	1,043	(184)
Normalised NPBT attributable to the owners of AF Legal Group Limited	781	420	(149)	154	356	159	622	(463)

* Q4 FY24 Revenue and AWR figures exclude any "other income" that has been normalised. Revenue numbers exclude disbursements. Remaining profit numbers factor in total revenue without exclusions.

**Normalisation adjustments are as disclosed above for FY24. FY23, FY22 and FY21 normalisation adjustments are as previously declared adjusted for the impact of the FY22 Executive Bonuses which impacted the H1 FY23 result. Additionally, all pre FY23 normalisation has been standardised in line with our current practice (since FY23), and now excludes any previous normalising of share-based payments.

*** 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.

Table 1: Financial Performance FY24 & FY23

Profitability & Revenue

The Board is pleased to announce our results for FY24 with our highest ever Revenue of \$21.7 million and our best yet bottom-line achievement with Normalised NPBT attributable to the owners of the AF Legal Group Ltd of \$0.8 million and NPAT attributable of \$1.0 million. The same was true of our headline NPBT of \$1.5 million and the headline NPAT of \$1.6 million.

Group Revenue (excluding disbursements) at \$21.7 million, our highest ever result and an increase of 15% on the pcp, assisted in Q4 by the first quarter of revenue from ACWE, with growth excluding ACWE at 10%. Average Weekly Revenue for Q4 was \$465k per week, a new high for our organisation (H1 FY24 \$412k & FY23 \$363k)



The second half of FY24 saw several one-off expenses and charges, primarily relating to the ACWE acquisition which adversely impacted our results, and these have been adjusted into our Normalised NPBT attributable result of \$0.8 million. Additionally, we also normalised a deferred consideration finalisation benefit and an offsetting additional debtor provision taken up following the resolution of a legacy litigation funder negotiation.

These one-off expenses and charges included:

Business acquisition costs – ACWE	\$0.176 million
Deferred consideration favourable adjustment	(\$0.193 million)
Debtor provision adjustments	\$0.191 million

Total Normalising Adjustments **\$0.174 million**

\$'000	FY24	FY23	FY22	FY21
Revenue*	21,661	18,881	16,983	11,009
Average Weekly Revenue [AWR] (excl. disbursements)	417	363	327	212
<i>AWR Growth on prior Qtr</i>				
<i>AWR Growth on pcp</i>				
<i>Growth on prior FY</i>	15%	11%		
NPBT	1,476	(7,556)	295	(495)
NPBT attributable to the owners of AF Legal Group Limited	607	(8,256)	(43)	(495)
Normalisation adjustments**	174	8,415	31	584
Normalised NPBT	1,650	859	326	89
Normalised NPBT attributable to the owners of AF Legal Group Limited	781	159	(13)	89

Table 2: Financial Performance FY21 to FY24

We are in the early stages of a significant turnaround

The normalised and correctly phased view shown above in *Table 1: Financial Performance FY24 & FY23* and also in *Table 2: Financial Performance FY21 to FY24* has been standardised with our current practice, excluding any previous normalising of share-based payments.

What it shows is sustained improvement since the actions undertaken at end H1 FY23 with three consecutive profitable halves when viewed at a Normalised NPBT attributable level. The 18 months covering H2 FY23 and FY24 have delivered an NPBT attributable profit of \$1.4 million. This represents a significant turnaround on the NPBT attributable loss of (\$0.4 million) for the two and a half years covering FY21 to end of H1 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

During the year we outlined our Growth Strategy encompassing not just continued growth across Family Law but also expanding into complementary areas of law, to grow our organisation to gain scale. Armstrong Contested Wills & Estates (ACWE) was acquired in April 2024 and represents our first move into acquiring legal businesses which are complementary to Family Law.

Our slight Q3 FY24 loss was quickly overcome with Q4 FY24 again delivering a profit on the back of significant revenue growth, in part assisted by the ACWE acquisition, which has delivered additional revenue and scale, allowing us to better leverage our relatively fixed central cost base. We remain committed to this strategy as initially presented back on 1 March 2024 and as updated in our full year investor presentation for FY24.

Other Achievements

These improved results have been delivered off a solid foundation put in place across the first twelve months or so of the new management team. It is pleasing to witness the transition of our organisation into one that is truly people-first and practice-led.

Since the start of FY24 we have opened five new leased offices (Bayside & Gold Coast – QLD; Joondalup – WA; Canberra – ACT; Illawarra – NSW) with four of these representing the taking of a permanent presence where we initially set up in serviced office market entry locations as business developed sufficiently to warrant a more permanent commitment. Additionally, we also opened two new serviced office locations in Frankston VIC and Double Bay NSW and have seen pleasing starts to both of these operations. This expansion is in line with our stated organic family law growth strategy of opening complementary family law practices which feed off our existing network.

We continue to develop our team members with 24 promotions announced since the start of FY24, representing over 30% of our lawyers and legal support staff. This development focus remains paramount, all driven by our desire to present achievable and rewarding career pathways to our team members, be that through the careful nurturing and development of our new lawyers, but also by facilitating advancement at the higher levels also.

Related to the ACWE acquisition the Group completed a successful capital raising of \$1.9 million in March 2024 and also extended our NAB finance facility until January 2027.

Balance Sheet

The shape of our balance sheet has changed in large part due to the impact of the ACWE acquisition and the associated capital raise and borrowings. Additionally, the ACWE acquisition brings with it a significant lift in our Trade & Other Receivables with this area of law having a payment timing that is more at end of matter. These were primarily the assets which underpinned the acquisition, ultimately resulting in a preliminary goodwill number of a relatively modest \$280k on the acquisition.

A full and thorough review of all debtors and WIP balances was performed during the year with many longstanding amounts written off against the provision which was increased at H1 FY23.





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Cash Flow

Our Cash Flow similarly reflects the impact of the ACWE acquisition with the outflows in Investing Activities and the inflows in Financing Activities largely relating to this event.

In terms of our Operating Cash Flow for FY24, whilst at first glance an inflow of \$0.5 million may seem a little lower than anticipated, there are numerous factors at play here, which mean that this is in many ways related to our revenue growth and timing vagaries which can impact working capital. Additionally, the ACWE business model with its end of matter payment timing also plays a role.

It is important to call out here a \$0.5m payment relating to a prior year BAS following an extensive reconciliation exercise relating to all our tax obligations dating back a number of years (which also led to release to the balance sheet release of an unrequired provision of \$0.7m which has benefited our FY24 tax expense). Additionally, FY24 included \$0.4m in payments made to former executives, \$0.2m in Acquisition costs and also a \$0.3m GST payment relating to the acquisition (which has since been recovered in early FY25).

To illustrate the sensitivity of our cash flow, ACWE had one \$400k invoice raised mid-June which was paid in early August. It is worth noting also that our cash balance as at mid-August has increased accordingly to \$3.1 million.

The Company will hold a call for investors in relation to the FY24 Results on Thursday, 5 September 2024 at 11am (AEST), further details will follow next week.

A first quarter update with unaudited earnings figures will be provided at the AGM on 15 November 2024.

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

-ENDS-

For any questions, please contact:

Chris McFadden
CEO
chris@aflegal.com.au
+61 3 8602 1925

