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FY24 Results

Investor Presentation
30 August 2024





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Profitable, stable and beginning to grow

FY24 Highlights



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- **Revenue growth** of 15% on prior year, with Q4 average weekly revenue of \$465k per week, **a new high**
- **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)
 - AF Legal Group Limited has now delivered **three consecutive profitable halves**
 - NPBT attributable for Q4 FY24 was a pleasing \$420k assisted by the first quarter contribution of ACWE (refer below)
- 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. ACWE first quarter results (Q4) have pleasingly exceeded expectations
- We have transitioned our organisation to one that is **people-first culture** and **practice-led**
- **Opened five new offices** with four of these through the taking of a permanent presence where we initially set up in serviced office market entry locations. Additionally, we also **entered two new markets** opening new serviced office locations in Frankston VIC and Double Bay NSW
- **24 promotions** announced since the start of FY24, representing over 30% of our lawyers and legal support staff and evidencing achievable and rewarding career pathways to our team members
- AFL Group completed a **successful capital raising of \$1.9 million** in March 2024 and also **extended our NAB finance facility** until January 2027



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Financial Results FY24

Headline NPAT profit of \$1.6million



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	Note	2024 \$'000	2023 \$'000
Revenue	3	21,862	18,881
Expenses			
Cost of sales		(8)	84
Employee expenses		(13,082)	(11,276)
Administrative expenses	4	(3,197)	(3,020)
Other expenses	5	(2,441)	(3,591)
Share based payment expense	6	(51)	(84)
Depreciation		(1,214)	(1,242)
Amortisation		(393)	(739)
Impairment expense	7	0	(6,569)
Total expenses		(20,386)	(26,437)
Profit/(Loss) before income tax		1,476	(7,556)
Income tax expense/(benefit)	8	124	(37)
Profit/(Loss) for the period after income tax		1,600	(7,593)
Other comprehensive income		0	0
Total comprehensive income/(loss) for the period		1,600	(7,593)
Profit/(Loss) for the period attributable to:			
Non-controlling interest	9	638	509
The owners of AF Legal Group Limited		962	(8,102)
Total comprehensive income/(loss) for the period attributable to:			
Non-controlling interest		638	509
The owners of AF Legal Group Limited		962	(8,102)
Total comprehensive income/(loss) for the period		1,600	(7,593)

- Headline **NPAT** for FY24 was a **profit of \$1.6 million**, up from a loss of \$7.6 million in the previous corresponding period (pcp) and the highest level ever achieved by the AF Legal Group, albeit assisted by the tax benefit outlined below
- Headline **NPAT attributable** to the owners of the AF Legal Group for FY24 was a **profit of \$1.0 million**, an all-time high, up from a loss of \$8.1 million in the pcp, key contributors:
 - Revenue** of \$21.9 million, again an all-time high, **up by 15%** on prior year
 - Total Expenses of \$20.4 million down by \$6.1 million** compared to pcp with FY23 including impairment expense of \$6.6 million
 - \$0.7 million** legacy other income tax provision release (following a tax related review and reconciliation), reflected in minimal tax expense for FY24
- FY23** saw **\$8.415 million** in **one-off expenses** and charges which adversely impacted results and were normalised.
- FY24** saw a **net \$174k** in **one-off expenses** and charges, primarily relating to the ACWE acquisition. We also normalised a deferred consideration finalisation benefit and an offsetting additional debtor provision

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

Strong Q4 FY24 aided by acquisition



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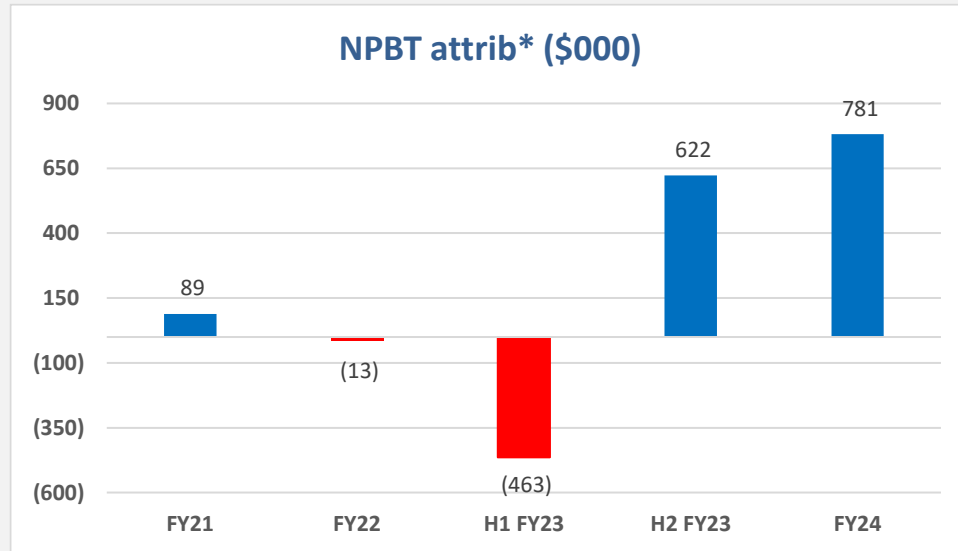
\$'000	FY24	Q4 FY24	Q3 FY24	Q2 FY24	Q1 FY24	FY23	H2 FY23	H1 FY23	FY22	FY21
Revenue*	21,661	6,051	4,899	5,167	5,543	18,881	10,054	8,827	16,983	11,009
Average Weekly Revenue [AWR] (excl. disbursements)	417	465	377	397	426	363	387	339	327	212
<i>AWR Growth on prior Qtr</i>		23%	-5%	-7%	10%					
<i>AWR Growth 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)	295	(495)
NPBT attributable to the owners of AF Legal Group Limited	607	246	(149)	154	356	(8,256)	551	(8,807)	(43)	(495)
Normalisation adjustments **	174	174				8,415		8,415	31	584
Normalised NPBT	1,650	623	34	434	559	859	1,043	(184)	326	89
Normalised NPBT attributable to the owners of AF Legal Group Limited	781	420	(149)	154	356	159	622	(463)	(13)	89

- Normalised NPBT of \$1.65 million, a \$0.8 million increase on pcp
- Normalised NPBT attributable to owners of AF Legal Group of \$0.8 million, a \$0.6 million increase on pcp
 - Pleasingly Q4 bounced back from a slow Q3 delivering an NPBT attrib of \$420k, our strongest quarter in FY24 assisted by the first quarter contribution of ACWE
 - Normalised NPBT attributable to owners of AFL Group is our preferred metric to gauge true profitability of our organisation from a shareholder view
- FY24 profit mostly driven by strong revenue growth, up \$2.8 million (15%) on pcp
 - Excluding the additional revenue of ACWE in Q4 FY24 adjusted growth would be 10%
- Average weekly revenue (AWR) \$417k per week for FY24 but at an all-time high of \$465k in Q4 reflective of the ACWE acquisition adding scale to the final quarter
- All states delivered revenue lifts in FY24 relative to the prior year

We are in the early stages of a significant turnaround



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**NPBT attrib FY21 to end H1FY23
Loss (\$0.4 million)**

**NPBT attrib H2FY23 to end FY24
Profit \$1.4 million**

- Normalised NPBT attributable to owners of AFL Group over the past 18 months has totalled \$1.4 million
- This represents a significant lift over the preceding two and a half years which produced a loss of (\$0.4 million)
- Historically AF Legal Group Limited profitability was presented in many different ways including EBITDA, Underlying EBITDA, Underlying EBITDA pre AASB16, NPATA, etc.
- Normalised NPBT attributable to owners of AFL Group is our preferred metric to gauge true profitability of our organisation from a shareholder view
 - Normalisation has been standardised with our current practice in the table on the prior slide and also in the adjacent graph to exclude any previous normalising of share-based payments
 - Other than truly irregular amounts it is anticipated that normalisation will be kept to a minimum – see slide 5 for FY24 normalisation

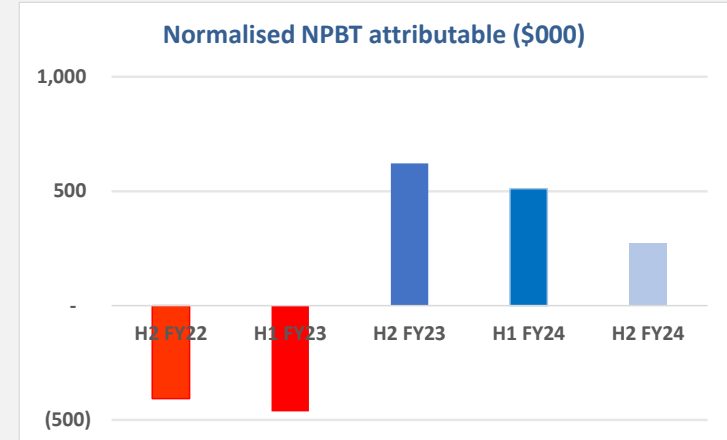
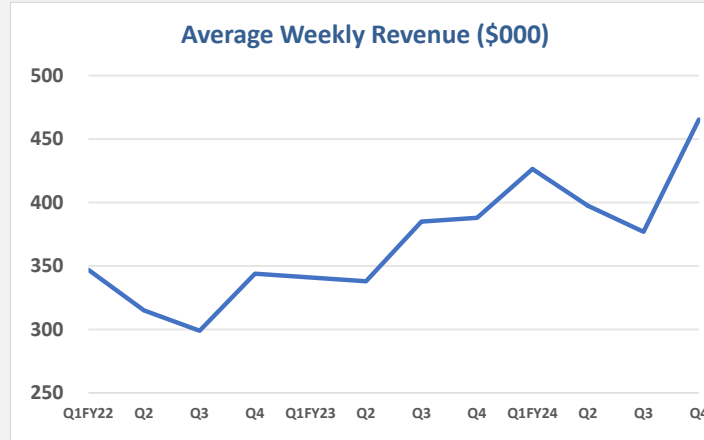
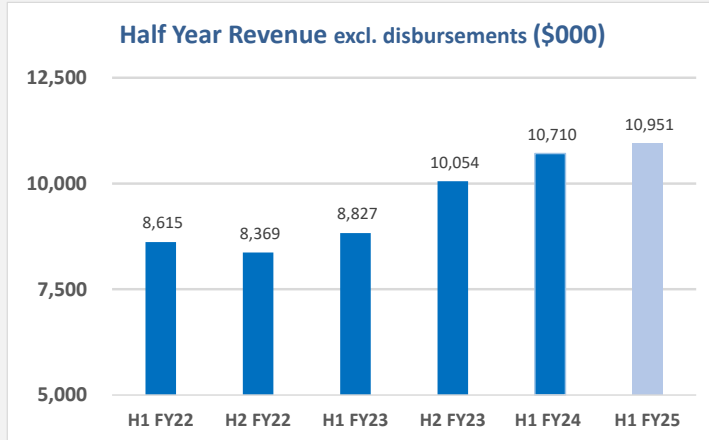
* NPBT attrib represents Normalised NPBT attributable to owners of AFL Group

** FY21 & FY22 Normalisations have been brought into line with FY23 onwards to exclude any prior practice of normalising share-based payments

Revenue growth & 3 consecutive profitable halves



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Continued Revenue growth



ACWE acquisition adding to scale in Q4



Third consecutive profitable half (Q4 NPBT attrib. \$420k)

Balance Sheet post ACWE acquisition



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	Note	2024 \$'000	2023 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	2,317	2,052
Trade and other receivables	11	9,543	4,476
Other current assets	12	1,073	896
TOTAL CURRENT ASSETS		12,933	7,424
NON-CURRENT ASSETS			
Deferred tax assets	8(a)	2,532	1,907
Right of use assets	13	3,208	3,683
Plant and equipment	14	743	649
Intangible assets	15	4,293	4,382
TOTAL NON-CURRENT ASSETS		10,776	10,621
TOTAL ASSETS		23,709	18,045
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	1,985	2,880
Current tax liabilities	8(c)	221	243
Deferred consideration	17	625	1,194
Lease liabilities	18	981	792
Employee benefits	21	1,039	801
TOTAL CURRENT LIABILITIES		4,851	5,910
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8(b)	2,046	1,458
Lease liabilities	18	2,334	2,904
Deferred consideration	17	375	250
Borrowings	19	3,591	0
Provisions	20	269	310
Employee benefits	21	269	171
TOTAL NON-CURRENT LIABILITIES		8,884	5,093
TOTAL LIABILITIES		13,735	11,003
NET ASSETS		9,974	7,042

- **Net Total assets at \$10.0 million increased by \$2.9 million** (30 June 2023: \$7.0 million), reflecting FY24 profitability and the impact of the capital raise related to the ACWE acquisition which has changed the shape of our balance sheet
- **Trade & Other Receivables up by \$5.1 million** – ACWE \$4.4 million reflective of payment timing being more at end of matter
 - 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
 - The review also highlighted the need for an additional provision related to a legacy matter following finalisation of a legacy litigation funding negotiation – *see slide 5 for FY24 normalisation*
- **Intangibles largely unchanged** with minimal Goodwill from the ACWE acquisition (\$0.3 million) offset by amortisation charges relating to legacy matters
- **Trade & Other Payables down by \$0.9 million primarily due to the release of a \$0.7 million legacy tax provision** which was considered not required
- **Borrowings of \$3.6 million** to fund the ACWE acquisition (\$2.7m) and various earn out payments (\$1.0m) made during FY24
 - NAB finance facility extended to January 2027 available for appropriate opportunities with a \$9 million limit

Cash Flow shows impact of acquisition and funding



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	2024	2023
Note	\$'000	\$'000
Cash Flows from Operating Activities		
Receipts from customers	20,050	23,191
Payments to suppliers and employees	(19,009)	(21,923)
Net interest paid	(54)	(2)
Income tax paid	(442)	(200)
Net cash provided by/(used in) operating activities	545	1,065
27		
Cash Flows from Investing Activities		
Purchase of fixed assets	(360)	(582)
Payment for Acquisition of Business	(2,733)	0
Payments for Deferred Consideration	(1,000)	(432)
Payments for purchase of intangible assets	(24)	(183)
	(4,117)	(1,197)
Cash Flows from Financing Activities		
Repayment of lease liabilities	(1,049)	(1,098)
Shares Issued	1,733	0
Payments of borrowings	3,591	(116)
Payment of dividends	(438)	(351)
	3,837	(1,565)
Net increase/(decrease) in cash and cash equivalents	265	(1,697)
Cash and cash equivalents at the beginning of the financial period	2,052	3,749
Cash and cash equivalents at the end of the financial period	2,317	2,052
10		

- **Operating cash flow** for the full year was an **inflow of \$0.5 million*** (2023: inflow of \$1.1 million) due in part to a number of one-off type outflows:
 - Prior year BAS \$0.5m (Following tax and related extensive reconciliation exercise)
 - Payments made to former execs \$0.4m
 - GST payment related to acquisition \$0.3m (recovered early FY25)
 - Acquisition costs \$0.2m
 - Increase in WIP & Debtors of \$0.7m in core business due primarily to growth and timing issues
 - To illustrate the sensitivity, one \$400k invoice raised mid-June was paid early August
 - Cash balance as at mid-August has increased to \$3.1 million
- The overall **outflow from investing activities of \$4.1 million** was primarily due to the acquisition of Armstrong Contested Wills & Estates (\$2.7 million) and payments made in relation to the deferred consideration for both Watts McCray and Kordos (\$1.0m). Additionally, there were increases in fixed assets (\$0.4m) predominantly related to new offices and additional IT expenditure.
- The **overall inflow from financing activities of \$3.8 million** was primarily due to borrowings of \$3.6m and the net proceeds from shares issued in the capital raise of \$1.7m, partly offset by the payment of lease liabilities (\$1.1m) and dividend payments to non-controlling interests (\$0.4m)
- Overall, this delivered a net cash outflow for FY24 of \$0.3 million

* Adjusting for the impact of the repayment of lease liabilities (now in "Cash Flows from Financing Activities" under AASB16) this would represent a net cash outflow of \$1.5 million



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Focus and Outlook FY24

Focus and 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

- Sponsorship & Executive Producer of *Millie Vs – The Film* created by Barrister & Filmmaker Darren Mort (Tommy), “... investing in the power of narrative to transform lives”
- Increasingly focusing resources on SEO as a driver of digital lead flow
- Business development: Corporate services; new service offerings; maintain leading national media voice
- Expand Net Promoter Score client feedback across all our brands and markets



Profitability

- Returned to consistent profit levels across H2 FY23 and 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
- Investment in a new Practice Management system to maximise efficiency and effectiveness



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 extended until January 2027 and drawn down for ACWE acquisition
- The Board retains its commitment to our longer-term growth aspirations through a combination of organic and inorganic growth opportunities

Our Growth Strategy

Better leverage our cost base by adding revenue and accordingly gross margin (after fee earner costs) with minimal incremental overhead costs such that our bottom-line profitability grows at a disproportionately higher rate



<p>Family Law - Organic</p>	<ul style="list-style-type: none"> ▪ Growing existing Family Law (FL) practices through team expansion ▪ Opening complementary FL practices feeding off existing network, expanding suburban footprint in major cities ▪ Future acquisition opportunities in relation to non-controlling interests in existing operations 	<ul style="list-style-type: none"> ▪ 4 previously serviced office-based market entry locations moved into permanent office locations during FY24 ▪ Entered 2 new markets opening new serviced office locations in Frankston VIC and Double Bay NSW
<p>Family Law - Acquisitions</p>	<ul style="list-style-type: none"> ▪ Regional expansion and infill opportunities where we currently do not have a presence ▪ Examples include Adelaide, Tasmania, Townsville, Toowoomba, Newcastle, etc.. 	<ul style="list-style-type: none"> ▪ Acquisition of existing Family Law businesses will play a role as a market entry opportunity ▪ Organic and/or greenfield option remains in play (e.g. Wollongong, Gold Coast)
<p>Complementary Areas of Law - Organic</p>	<ul style="list-style-type: none"> ▪ There are complementary areas of law currently under serviced by our existing business model which make sense for an organisation seeking to be more than a Family Law business and more of a business which is <i>Your Family's Lawyer</i> 	<ul style="list-style-type: none"> ▪ Some we do in a limited fashion in some locations, but further such expansion represents incremental revenue
<p>Complementary Areas of Law - Acquisition</p>	<ul style="list-style-type: none"> ▪ Acquire legal businesses complementary to Family Law, which have significant opportunity for growth by leveraging our existing and growing Family Law practice network ▪ Armstrong Contested Wills & Estates April 2024 acquisition is our first such move into complementary areas of law 	<ul style="list-style-type: none"> ▪ Future Contested Wills & Estates geographic expansion will largely come through organic leveraging of the existing AF Legal office network ▪ Other areas of law will be considered for similar future acquisition-based growth opportunities



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Thank You