



H1 FY25 – Results

Investor Presentation
27 February 2025



H1 FY25 Highlights



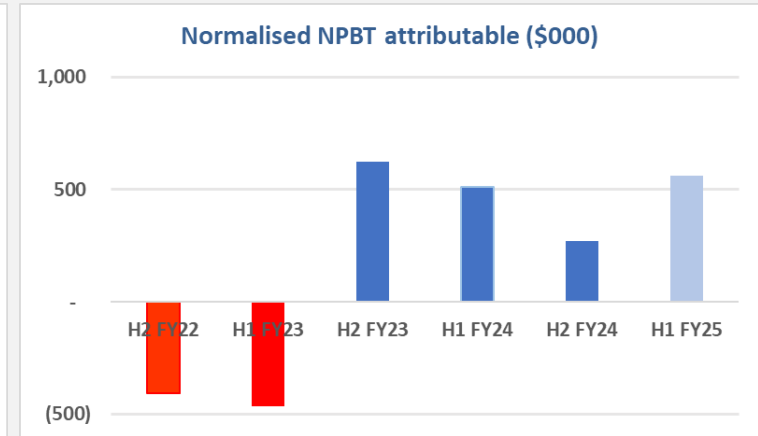
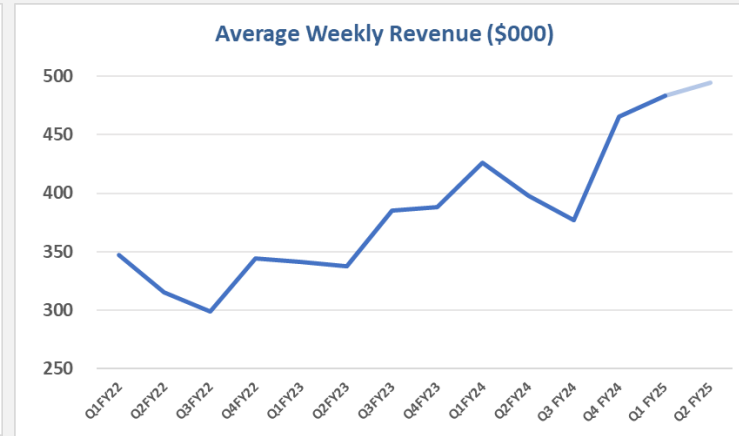
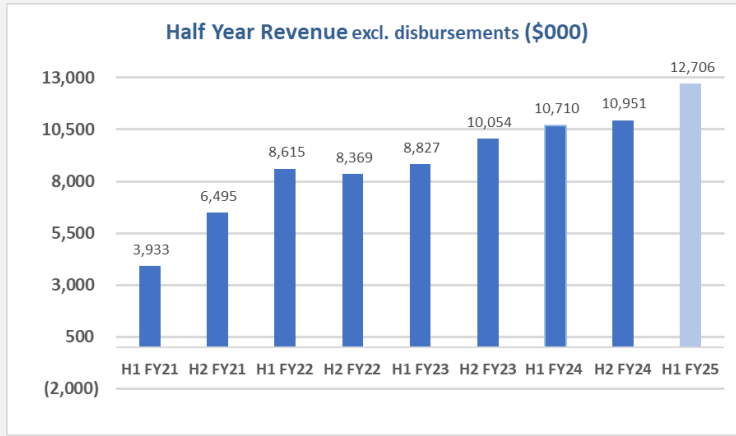
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- **Revenue growth** of 16% on prior year, with H1 FY25 average weekly revenue of \$489k per week **representing a new half year record high**, with Q2 FY25 achieving an **all-time high with average weekly revenue of \$494k**
- **Profitable growth continues:**
 - **Normalised NPBT attributable** to the owners of AF Legal Group in H1 FY25 of \$561k, represents 72% of our full year FY24 profit result of \$781k
 - **Operating Cash Flow** continued to strengthen with a half yearly inflow of \$3.0 million, **doubling the Q1 FY25 results**, driven by strong revenue performance and **further improvements in collections**
- **Armstrong Legal's Criminal (ACL) & Family (ALFL) Law practices and the armstronglegal.com.au website** were acquired 28 October 2024, and completed its migration into business-as-normal operations during the 8 weeks at the end of Q2 FY25:
 - Q2 results from the newly acquired divisions were cost neutral with strong upside indications for H2 FY25
 - Armstrong Legal Contested Wills & Estates division acquired in Apr-24 continued to deliver another strong performance in Q2 in terms of both revenue, profitability and cashflow
 - Secured new Armstrong Legal branded office lease for the **newly combined Armstrong Legal teams in Sydney CBD**
- We confirmed our cultural transition to one that is **people-first focused** and **practice-led** with the results of the **second Great Place to Work®** survey results in Oct-24 delivering an impressive 84%, a significant increase on the Aug-23 result of 53%
- **Project Titan** (the search for a replacement modern cloud-based platform to deliver real time and efficiency savings) progressed with appointment of new service providers and signing of contracts on the 31 December 2024

Revenue growth continues, as does profitability



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Highest ever half year revenue



Average Weekly Revenue highest ever result

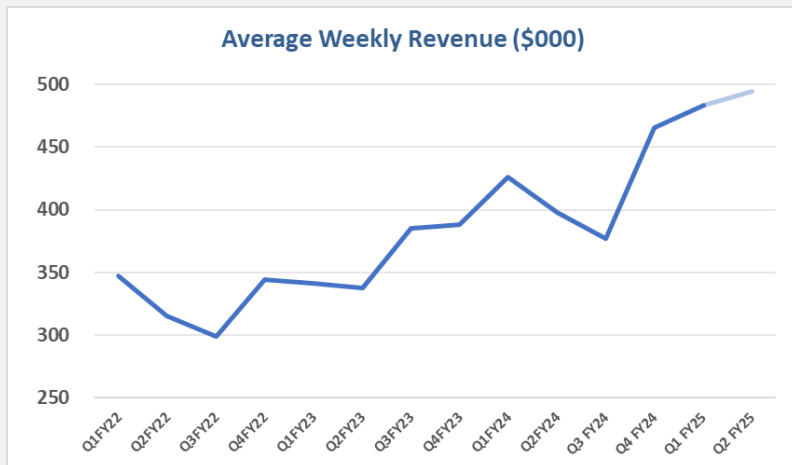
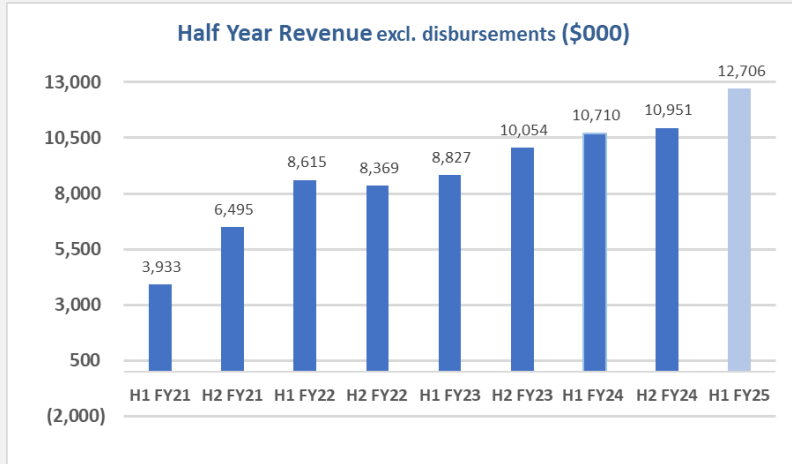


Profitability trend continues to lift
H1 FY25 is 72% of full year FY24

Revenue continues to hit new highs



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- Revenue of \$12.7 million for H1 FY25 represents our highest ever half-yearly revenue with the period up by \$2.0 million or 19% on the prior corresponding period of H1 FY24 (pcp)
 - Up 16% on the previous high achieved in the previous half (H2 FY24)
- Average Weekly Revenue (AWR) for H1 FY25 at \$489k per week, another new high for our organisation and Q2 FY25 of \$494k, building on the positive revenue momentum resulting from the two Armstrong Legal acquisitions in Q4 FY24 and Q2 FY25
 - FY22 and FY24 Q2 & Q3 double drops in AWR now appear as an anomaly in the trend line over the last 3+ years
- Full year AWR increases are trending upwards each year. Quarterly or half yearly performance results will continue to fluctuate due to end of calendar year seasonality, and timing of extended leave, parental leave and acquisitions / hires

	H1 FY25	FY24	FY23	FY22 *
AWR (\$'000)	489	417	363	327
% Movement FY v FY	17%	15%	11%	63%

* Significant increase between FY21 and FY22 due to three large acquisitions in FY22, Watts McCray, AFL Kordos and AFL Withnalls

Statement of Profit or Loss

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2024

	31-Dec-24	31-Dec-23
	\$'000	\$'000
Revenue	12,706	10,713
Expenses		
Cost of sales	1	3
Employee expenses	7,883	6,547
Administrative expenses	2,088	1,350
Other expenses	989	899
Share based payment expense	24	33
Interest expense	287	94
Depreciation	709	579
Amortisation	90	215
Impairment expense	-	-
Total Expenses	12,071	9,720
Profit/(Loss) before income tax	635	993
Income tax expense/(benefit)	71	(53)
Profit/(Loss) for the period after income tax	564	1,046
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	564	1,046
Profit/(Loss) for the period attributable to:		
Non-controlling interest	282	482
The owners of AF Legal Group Limited	282	564
Total comprehensive income/(loss) for the period attributable to:		
Non-controlling interest	282	482
The owners of AF Legal Group Limited	282	564
Total comprehensive income/(loss) for the period	564	1,046

- Profit is best viewed from a normalised point of view, please refer to the following slide



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Stronger H1 profit, with expectations for an even stronger H2



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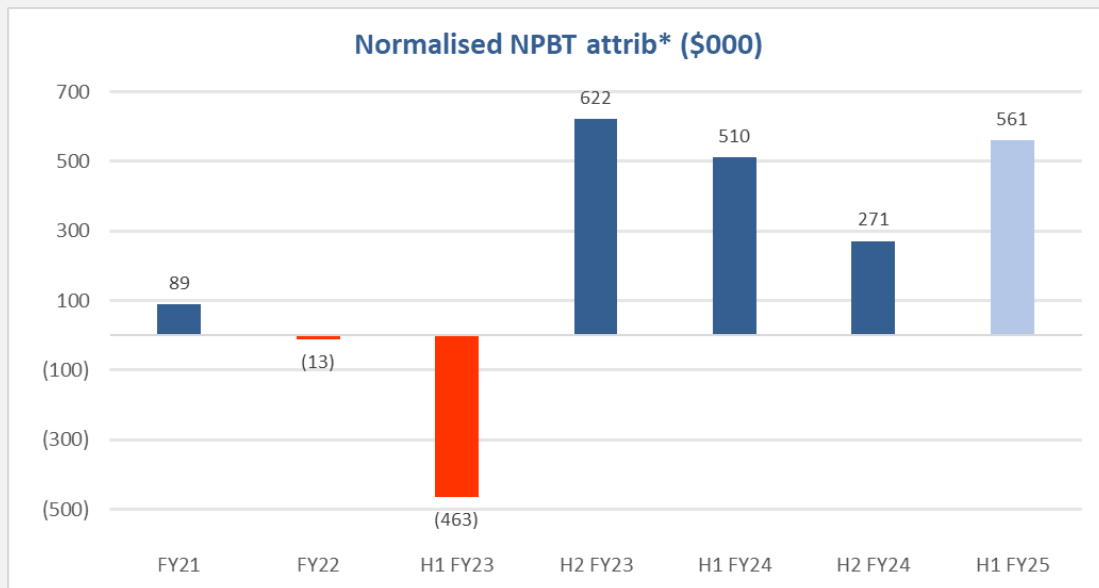
\$'000	H1 FY25	FY24	H2 FY24	H1 FY24	FY23	FY22	FY21
Revenue*	12,706	21,661	10,951	10,710	18,881	16,983	11,009
Average Weekly Revenue [AWR] (excl. disbursements)	489	417	421	412	363	327	212
<i>AWR Growth on prior period</i>	16%	15%	2%	7%			
<i>AWR Growth on pcp</i>	19%		9%	21%			
NPBT	635	1,476	483	993	(7,556)	295	(495)
NPBT attributable to the owners of AF Legal Group Limited	207	607	97	510	(8,256)	(43)	(495)
Normalisation adjustments**	447	174	174		8,415	31	584
Normalised NPBT	1,082	1,650	657	993	859	326	89
Normalised NPBT attributable to the owners of AF Legal Group Limited	561	781	271	510	159	(13)	89

- Normalised NPBT attributable** to the owners of AF Legal Group for H1 FY25 was a **profit of \$561k**, 10% increase compared to the pcp \$510k and representing 72% of the full year FY24 Normalised NPBT attributable of \$781k
 - H1 FY25 normalisations due to second Armstrong Legal acquisition costs \$137k and \$310k of Legal defence fees
 - H2 FY24 normalisations due to the first Armstrong Legal acquisition costs of \$174k
 - Second Armstrong Legal acquisition contributed negligible profit impacted by the complex migration of the teams, new practice management systems and processes, new website and new leased office
 - Positive early signs for H2, with Client leads double the monthly average in Q2 FY25
 - H2 FY25 will also benefit from a full half contribution from the second Armstrong Legal acquisition

Our profitable growth turnaround continues



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

NPBT attrib H2FY23 to end H1 FY25
2 years
Profit \$2.0 million

- Normalised NPBT attributable to owners of AFL Group over the past 2 years months has totalled \$2.0 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 (e.g. acquisition costs) it is anticipated that normalisation will be kept to a minimum moving forward

Balance Sheet H1 movements

Consolidated Statement of Financial Position

As at 31 December 2024



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	31-Dec-24	30-Jun-24	Movement	Movement
	\$'000	\$'000	\$'000	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	3,313	2,317	996	43%
Trade and other receivables	8,645	9,543	(898)	(9%)
Other current assets	948	1,073	(125)	(12%)
TOTAL CURRENT ASSETS	12,906	12,933	(27)	(0%)
NON-CURRENT ASSETS				
Deferred tax assets	2,752	2,532	220	9%
Right of use assets	3,643	3,208	435	14%
Plant and equipment	875	743	132	18%
Intangible assets	6,905	4,293	2,612	61%
TOTAL NON-CURRENT ASSETS	14,175	10,776	3,399	32%
TOTAL ASSETS	27,081	23,709	3,372	14%
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	2,437	1,985	452	23%
Current tax liabilities	289	221	68	31%
Deferred consideration	375	625	(250)	(40%)
Lease liabilities	1,285	981	304	31%
Borrowings	-	-	-	0%
Provisions	-	-	-	0%
Employee benefits	1,099	1,039	60	6%
TOTAL CURRENT LIABILITIES	5,485	4,851	634	13%
NON-CURRENT LIABILITIES				
Deferred tax liabilities	2,224	2,046	178	9%
Lease liabilities	2,482	2,334	148	6%
Deferred consideration	-	375	(375)	(100%)
Borrowings	5,892	3,591	2,301	64%
Provisions	315	269	46	17%
Employee benefits	374	269	105	39%
TOTAL NON-CURRENT LIABILITIES	11,287	8,884	2,403	27%
TOTAL LIABILITIES	16,772	13,735	3,037	22%
NET ASSETS	10,309	9,974	335	3%

- **Net Total assets at \$10.3 million increased by \$0.3 million (30 June 2024: \$10.0 million), largely reflecting H1 FY25 profitability and improvement in Cash and Receivables**
- **Notable movements across H1 FY25:**
 - **Cash and cash equivalents increase by \$1.0 million**
 - Strong revenue growth
 - Improvement in collections process reduction \$0.9 million
 - Recovery of GST on first Armstrong Legal acquisition \$275k
 - **Trade & Other Receivables down by \$0.9 million**
 - Continuing sign of a positive collection trend
 - This area will always be impacted by invoicing and collection timing issues especially with large matters, further scale will help minimise the impact going forward
 - **Intangible Assets and Borrowings**
 - Both accounts were impacted by the second Armstrong Legal acquisition in Q2 FY25, with \$2.6 million increase due to Goodwill and the Brand/Website and a \$2.3 million increase in borrowings to fund the acquisition
 - **Other movements** included offsetting Right of use asset & Lease liability amounts. We acquired a new leased premises in Sydney CBD for the newly combined Armstrong Legal Teams

Strong Operating Cash Flow with favourable timing flows



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Consolidated Statement of Cash Flows

For the half-year ended 31 December 2024

	31-Dec-24	31-Dec-23	FY24
	\$'000	\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from customers	13,932	10,962	20,050
Payments to suppliers and employees	(10,519)	(8,549)	(19,009)
Interest received	1	3	-
Interest expense	(190)	-	(54)
Income tax paid	(210)	(231)	(442)
Net cash provided by/(used in) operating activities	3,014	2,185	545
Cash Flows from Investing Activities			
Purchase of fixed assets	(287)	(107)	(360)
Payment for internally developed intangible assets	(37)	(11)	(24)
Payment for deferred consideration	(625)	(1,000)	(1,000)
Payment for business acquisition	(2,483)	-	(2,733)
Net cash provided by/(used in) investing activities	(3,432)	(1,118)	(4,117)
Cash Flows from Financing Activities			
Repayment of lease liabilities	(634)	(686)	(1,049)
Shares Issued	-	-	1,733
Proceeds of borrowings	2,301	-	3,591
Payment of dividends	(253)	(200)	(438)
Net cash provided by/(used in) financing activities	1,414	(886)	3,837
Net increase/(decrease) in cash and cash equivalents	996	181	265
Cash and cash equivalents at the beginning of the financial period	2,317	2,052	2,052
Cash and cash equivalents at the end of the financial period	3,313	2,233	2,317

- Operating cash flow for H1 FY25 the strong inflow trend of \$3.0 million* (H1 FY24: inflow of \$2.2 million) due in part to:
 - GST input credit of \$275k from the acquisition price for ACWE from April 2024 received in Q1 FY25
 - Increase in revenue of \$2.0 million
 - Reduction in receivables (\$0.9 million), and improvement in collections
- The overall outflow from investing activities of \$3.4 million was primarily due to three payments:
 - The payment for the end October 2024 acquisition of Armstrong Legal's Criminal & Family Law practices and the armstronglegal.com.au brand and website (\$2.5 million)
 - Earn out payments: first of two relating to the ACWE acquisition (\$375k) and final relating to the Kordos acquisition (\$250k)
- The overall outflow from financing activities of \$1.4 million was due to \$2.3 million borrowings less regular payment of lease liabilities (\$634k) and dividend payments to non-controlling interests (\$253k)
- Overall, this delivered a net cash inflow for H1 FY25 of \$1.0 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 inflow of \$2.4 million

Focus and Outlook



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People-first culture

- GPTW lift to 84% in 2024 (2023: 53%)
- Focus on onboarding, professional development, 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 and a 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

- Improving Profitability trend continued in H1 FY25
- 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
- Roll out new Practice Management system to maximise efficiency and effectiveness next 10 to 14 months



Proven growth model

- Expand into new regions and continue lateral hires as low-risk expansion strategy
- Grow existing practices through increased recruitment activity – RUR?
- Emphasis on cultural alignment
- NAB acquisition debt facility extended until January 2027 and drawn down for initial two AL acquisitions
- 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 gross margin with minimal incremental overhead costs such that our bottom-line profitability grows at a disproportionately higher rate



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<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 ▪ armstronglegal.com.au website acquisition in Oct-24 will assist organic growth in FL nationally
<p>Family Law - Acquisitions</p>	<ul style="list-style-type: none"> ▪ Regional expansion and infill opportunities where we currently do not have a presence represent acquisition-based market entry opportunities [e.g. Adelaide, Tasmania, Townsville, Toowoomba, Newcastle, etc.] 	<ul style="list-style-type: none"> ▪ Acquisition of Armstrong Legal Family Law practice in Oct-24 will add further scale to FL ▪ Organic and/or greenfield option remains in play (e.g. Illawarra, 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 Legal Contested Wills & Estates (CWE) acquisition Apr-24 was our first such move into complementary areas of law 	<ul style="list-style-type: none"> ▪ Armstrong Legal Criminal Law (CL) acquisition Oct-24 represents a further move into a third area of law ▪ Future CWE & CL geographic expansion will 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