



Investor Presentation

H1 FY23 – 28 February 2023



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H1 FY23 Highlights



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- ▶ AFL delivers H1 FY23 financial performance in line with guidance
- ▶ Results follow 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 has AFL well positioned to focus on profitable and cash generative growth
- ▶ H1 Revenues (excl. disbursements) represent the highest half year revenue achieved by AFL since listing
- ▶ Appointment of a new Non-Executive Director and a new CFO/COO
- ▶ Achieved 3 year strategic objective to be Australia's Largest Specialist Family Law Firm
- ▶ AFL 3.0 launched- the next 3 year strategy operational and underway
- ▶ Implemented market leading employer value proposition
- ▶ Expanded to 20 offices with new office openings in Burleigh Gold Coast and Bayside Brisbane
- ▶ Renegotiated three office leases delivering ongoing cost savings
- ▶ Completed migration onto single IT and operations platform, a platform upon which future acquisitions will be integrated



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FINANCIAL RESULTS

H1 FY23

Profit & Loss H1 FY23



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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2022

	31 Dec 2022	31 Dec 2021
	\$	\$
Revenue	8,826,687	8,614,601
Expenses		
Cost of sales	(23,054)	(110,753)
Employee expenses	5,448,482	4,457,493
Administrative expenses	1,489,756	1,164,264
Other expenses	2,522,901	895,143
Share based payment expense	99,557	372,203
Interest expense	109,348	42,405
Depreciation	674,361	609,448
Amortisation	464,436	191,872
Impairment Expense	6,569,000	-
Profit/(Loss) before income tax	(8,528,100)	992,526
Income tax expense	(464,886)	248,128
Profit/(Loss) for the period	(8,063,214)	744,398
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	(8,063,214)	744,398
Profit/(Loss) for the year attributable to:		
Non-controlling interest	280,241	-
The owners of AF Legal Group Ltd	(8,343,455)	744,398
Total comprehensive income/(loss) for the year attributable to:		
Non-controlling interest	280,241	-
The owners of AF Legal Group Ltd	(8,343,455)	744,398
Total comprehensive income/(loss) for the year	(8,063,214)	744,398

Commentary:

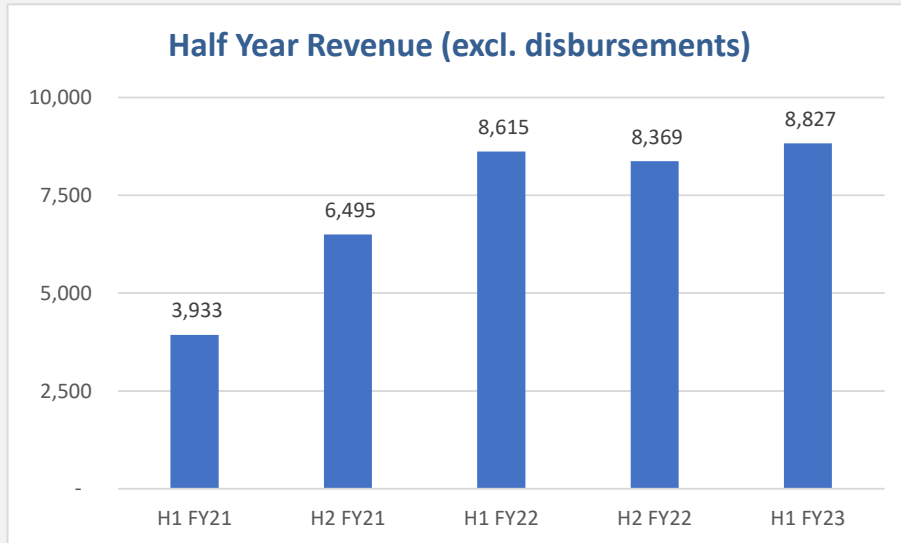
- Revenues (excl disbursements) of \$8.8 million were up by \$0.2m or 2.5% on pcp
 - AFL Withnalls' contributed \$1.5m of the increase (Jan-22 acquisition)
 - Remainder of the Group saw a decline in Revenue (excluding disbursements) of \$1.3m, with Watts McCray Sydney, AFL Melbourne and AFL Canberra all down
- 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 a thorough review and adjustment of all balance sheet items to reflect a stronger focus on financial discipline

Additional H1 FY23



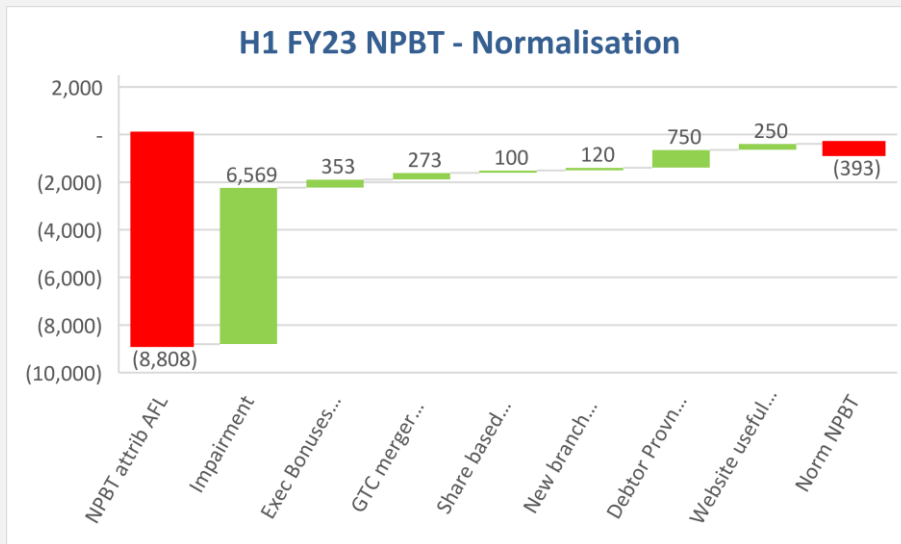
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Commentary:

- Revenues (excl disbursements) of \$8.8 million for H1 FY23 represent the highest half year revenue achieved by AFL since listing
 - AFL Withnalls (H1 FY23 \$1.5m) acquisition from Jan-22
- H1 FY23 saw several 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
- Normalising for these one-off expenses and charges H1 FY23 Normalised NPBT attributable to the owners of AF Legal Group Limited was a loss of \$393k



Balance Sheet H1 FY23



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Consolidated Statement of Financial Position	31 Dec 2022	30 Jun 2022
For the year ended 31 December 2022	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,376,224	3,749,048
Trade and other receivables	3,542,253	4,403,079
Right to use asset	-	-
Other current assets	1,025,284	950,914
TOTAL CURRENT ASSETS	6,943,762	9,103,041
NON-CURRENT ASSETS		
Deferred tax assets	1,736,581	907,466
Right to use asset	4,054,721	1,489,778
Plant and equipment	528,786	436,919
Intangible assets	4,582,365	11,507,195
Other non-current assets	-	-
TOTAL NON-CURRENT ASSETS	10,902,454	14,341,358
TOTAL ASSETS	17,846,216	23,444,399
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	2,242,587	2,159,534
Current tax liabilities	295,432	737,890
Deferred consideration	1,375,000	1,375,000
Lease liability	746,000	376,033
Borrowings	48,631	116,410
Provisions	-	263,695
Provision for employee benefits	885,265	731,053
TOTAL CURRENT LIABILITIES	5,592,915	5,759,615
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,370,335	987,349
Lease liability	3,228,746	1,142,169
Deferred consideration	250,000	500,000
Related party loans	-	31,722
Provisions	306,605	-
Provision for employee benefits	156,234	118,513
TOTAL NON-CURRENT LIABILITIES	5,311,920	2,779,753
TOTAL LIABILITIES	10,904,834	8,539,368
NET ASSETS	6,941,381	14,905,031

Commentary:

- Net assets as at 31 December 2022 declined, resulting from the goodwill impairment and the other one-off expenses and charges outlined
- Noteworthy balance sheet movements since the end of the financial year ended 30 June 2022 include:
 - Cash down by \$1.4m (refer to Cash Flow comments)
 - Trade and other receivables down by \$0.8m primarily due to the increase in the provision for doubtful debts
 - Right of use asset up by \$2.6m due to entering into new leases for Watts McCray Sydney CBD and Parramatta (offset by liability increases listed below)
 - Intangible assets down by \$6.9m primarily due to goodwill impairment charge
 - Lease liabilities up by \$2.5m in line with ROU asset increase mentioned above
- The \$10m NAB debt facility remains in place, undrawn but available for the appropriate opportunity

Cash Flow H1 FY23



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Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2022

	31 Dec 2022	31 Dec 2021
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	11,220,728	9,160,495
Payments to suppliers and employees	(10,737,426)	(6,968,230)
Interest received	70	78
Interest expense	(1,952)	(13,476)
Income tax paid	(445,833)	(293,095)
Net cash provided by/(used in) operating activities	35,587	1,885,772
Cash Flows from Investing Activities		
Purchase of fixed assets	(208,336)	(32,061)
Payment for internally developed intangible assets	(108,607)	(52,855)
Payment for deferred consideration	(250,000)	(62,500)
Payment for business acquisition	-	-
Net cash provided by/(used in) investing activities	(566,943)	(147,416)
Cash Flows from Financing Activities		
Repayment of lease liabilities	(773,689)	(534,692)
Payments of borrowings	(67,779)	(34,108)
Net cash provided by/(used in) financing activities	(841,468)	(568,800)
Net increase/(decrease) in cash and cash equivalents	(1,372,824)	1,169,556
Cash and cash equivalents at the beginning of the financial period	3,749,048	4,657,653
Cash and cash equivalents at the end of the financial period	2,376,224	5,827,209

Commentary:

- The operating cash flow for the half-year period was an inflow of \$36k (H1 2022: inflow of \$1.9 million) despite the overall loss position, bearing in mind the significant non-cash component (goodwill impairment, debtors/WIP provisioning, depreciation and amortisation)
 - 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 \$738k
- The overall net decrease in cash held of \$1.4 million was then the result of the net cash used in investing activities of \$567k (\$317k for fixed assets and intangibles, plus \$250k Kordos deferred consideration) plus the net cash used in financing activities of \$841k (primarily lease liabilities)



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FY23

FOCUS AND OUTLOOK

Focus and Outlook - “AFL – 3.0”



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Labour Market Opening Up

- 6 new Senior Lawyers recruited
- Continue multi pronged recruitment initiatives with employer value proposition
- Use our new law system investment to drive lawyer productivity



New Client Activity

- Launch “Australian Relationship Report” – first of its kind in Australia
- Business development Initiatives- Corporate services; new service offerings; maintain leading media voice



Profitability

- Q3 activity has us cautiously optimistic as to an overall lift in revenue across the remainder of H2 FY23
- With Platform now set, the focus returns to improving profit margins
- Cost reduction in corporate overheads and operational costs



Proven Growth Model

- Expand into new regions and continue lateral hires as low risk expansion strategy
- NAB acquisition debt facility remains undrawn available for the appropriate opportunity
- The Board retains its commitment to our longer-term growth aspirations set out in the AFL 3.0 strategy, through a combination of organic and inorganic growth opportunities



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Thank You

For any questions, please contact:
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