

**INVESTOR
PRESENTATION
MARKET UPDATE**

September 2021

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Table of contents

- 01** About Us
- 02** Market Update
- 03** FY21 Results (Update)
- 04** Growth Update
- 05** Strategy Update

01

ABOUT US

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Australia's largest specialised family law firm

We help our customers get superior outcomes by providing counsel and resolution on complex family matters



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+15

offices



+80

employees



+50%

revenue growth p.a.¹



~1%

market share



¹ FY17-FY21 CAGR (compounded annual growth rate)

Family law is a very large, highly fragmented market

Long-term stable volumes, an increase in defacto relationships and rising net household wealth = attractive market



\$1.1bn

market size



No

national players



+50,000

divorces per annum



3rd

largest personal legal services market

In contrast to personal injury law, there is no dominant or national player in family law. This is despite the fact that the two markets are of a similar size

=

Big Opportunity

We have disrupted the way law firms find customers...

We utilize digital marketing techniques used in other online industries to attract customers in the family law industry



Mobile first

An optimised experience for small screens



Performance

An architecture built for fast page loads and content delivery



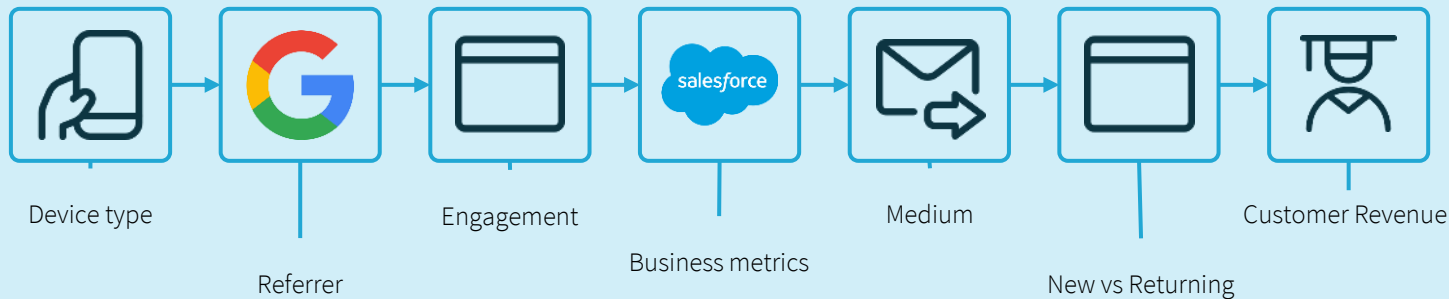
Technology

Introducing an ecosystem of world class integrated technology for scalability and business insights



Insights

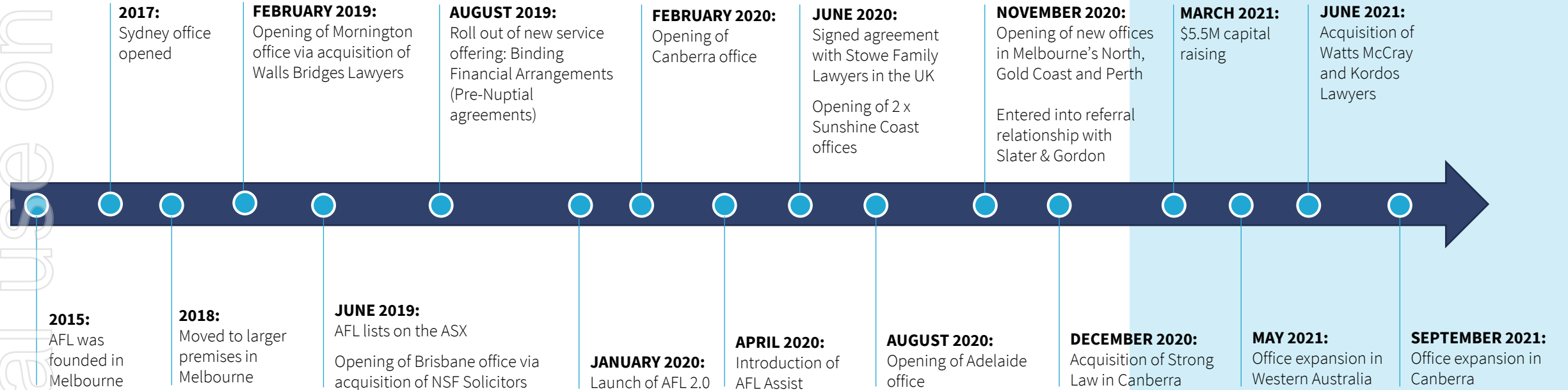
End to end behavioural and sales reporting for ongoing optimisation



Personalisation

Timeline since inception

AFL was founded in 2015 and has rapidly expanded to 15 offices since its IPO in June 2019



What have we achieved since IPO?

Strategic acquisitions completed in FY21 provides the scale to build out the platform in FY22 and beyond



FINANCIAL PERFORMANCE

FY21 Pro Forma **Revenue and Underlying EBITDA of \$16.4m and \$4.7m** respectively

Delivered **strong revenue and underlying EBITDA CAGR growth** since FY17 at 50%+ and 125%+ respectively



NEW OFFICES AND GEOGRAPHIES

Created and acquired **13 new office locations:** Brisbane, Canberra (2), Sunshine Coast (2), Adelaide, Perth (2), Sydney (2), Melbourne (2) and the Gold Coast



LATERAL HIRES AND ACQUISITIONS

Recruited **4 additional lateral hires** in existing and new offices

Completed **4 strategic acquisitions** in Brisbane, Canberra, Melbourne and Sydney



BEST IN CLASS MARKETING PLATFORM

Launched AFL 2.0 which has driven **improved marketing performance**

Rolled out **referral partnership strategy**

Created **Marketing Advisory Board**



ADDITIONAL SERVICE LINES

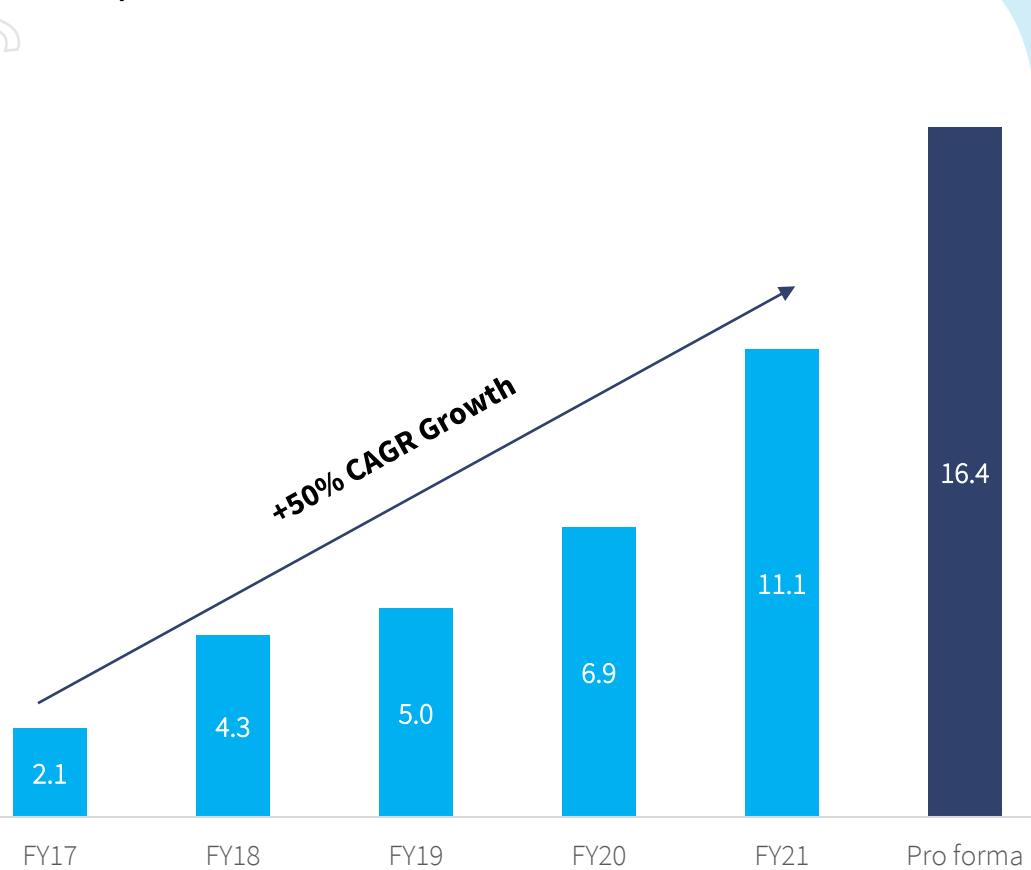
Launched **6 x New Service lines** including Binding Financial Arrangements, Corporate Services, AFL Assist, Asset Protect (October 2021), Faculty of Arbitration and Mediation and an international division



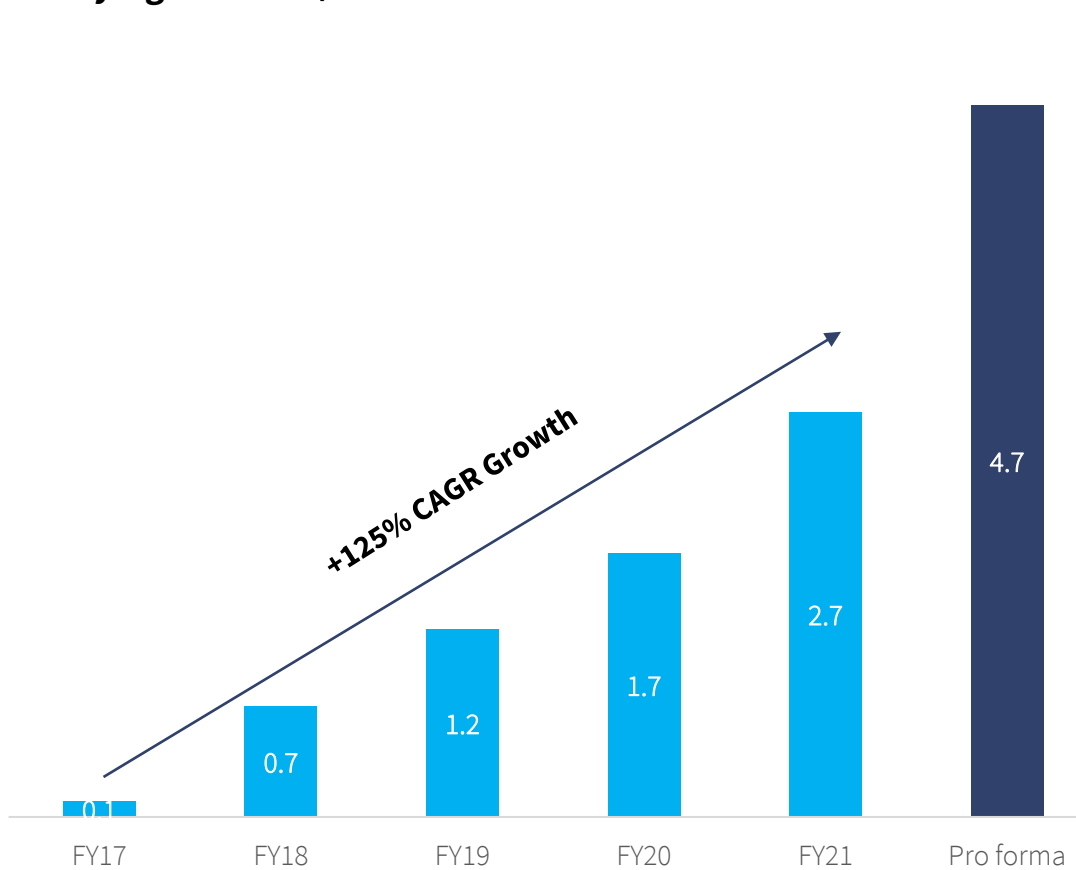
Historical revenue and EBITDA

Strong historical CAGR³ growth in both revenue and EBITDA since FY2017 (listed in June 2019)

Revenue¹ \$m



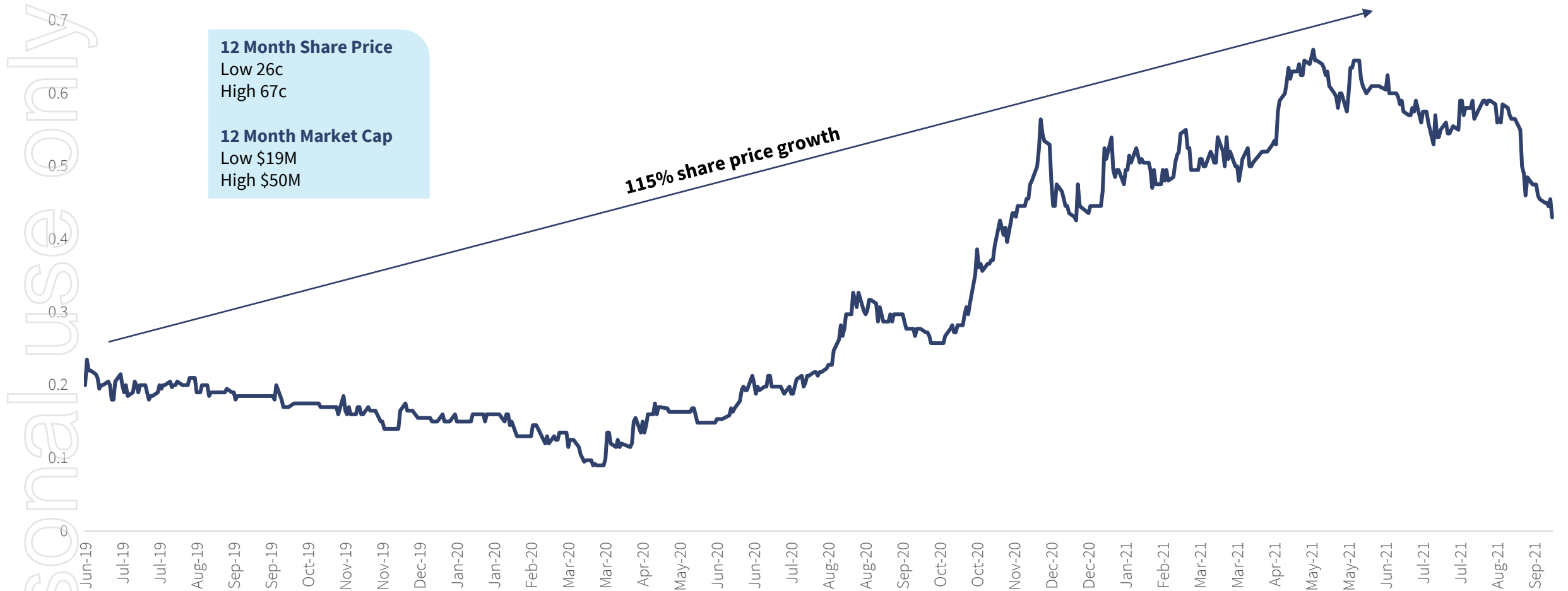
Underlying EBITDA² \$m



1. Total revenue has been adjusted to include the removal of non recurring, non cash or unusual income items
2. Underlying EBITDA adjusts statutory EBITDA to include the removal of non recurring, non cash or unusual costs
3. Compounded annual growth rate from FY17-FY21
4. Pro forma includes the acquisitions of Strong Law, Watts McCray and Kordos Lawyers from 1 July 2021

AFL. ASX (IPO to Present)

\$1 invested in AFL in 2019 is now worth \$2.15 | 115% increase in share price



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Investment Highlights



The **largest specialised family law firm in Australia** in less than 5 years



Disrupting the way law firms acquire clients with its proprietary client acquisition engine



First mover advantage in the family law sector with the platform to expand into new personal legal services markets



Very large, **highly fragmented industry** ripe for consolidation with **no national competitors**



Management team / board with **successful track record** in professional services and online technology platform businesses



Strong pipeline of organic and acquisition growth opportunities



\$1.1bn+

potential market opportunity



+125%

EBITDA CAGR (FY17-FY21)



~1%

market share



+50%

Revenue CAGR (FY17-FY21)



Best-in-class

client acquisition engine



Finalist x 3

Australian Legal Awards

02

MARKET UPDATE

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Market Update – YTD August, FY22



Strong start to FY22 driven by accelerated organic growth via a record pipeline of file openings and full contributions from acquisitions

HIGHLIGHTS – Year to Date August, FY22 (YTD)

YTD revenue was \$3.2m which equates to an **annual run rate of \$19.2m**, up +18% versus the Pro Forma FY21 Revenue of \$16.4m

Strong **YTD revenue growth +136%** versus pcp¹ and **highest revenue month on record** in August 2021

Watts McCray acquisition YTD revenue is up 44% versus pcp¹ with its **highest month since September 2020** recorded in August 2021

YTD file openings and reported leads up 72% versus pcp and **website visits have more than doubled** for the period January 2021 to August 2021 versus pcp

Acquisition integration of Kordos Law and Watts McCray is on track and well progressed - **\$0.6m p.a. of synergies have already been realised**

Strong pipeline of organic and acquisition growth opportunities are under review in both family law and adjacent sectors

¹ Prior corresponding period

Year to Date v Pro Forma Profit & Loss

Year to date revenue run rate is up 18% on the FY21 Pro Forma reported numbers



A\$'000s	YTD ⁴	Pro Forma ¹
Revenue	3,214	16,363
Gross Profit		7,521
% Margin		46%
Operating EBITDA²		5,784
Margin %		35%
Underlying EBITDA³		4,731
Margin %		29%

Commentary

- Pro Forma Profit & Loss includes the full year contribution from Strong Law, Watts McCray and Kordos Law from 1 July 2020 to more accurately reflect the underlying performance of the combined businesses over the last 12 months
- FY22 YTD August revenue was \$3.2m which equates to an **annual run rate of \$19.2m**, up 18% versus the pro forma LTM revenue of \$16.4m reported for FY21
- **Strong YTD revenue growth +136% versus pcp** and monthly revenue record in August 2021
- **Watts McCray acquisition YTD revenue is up 44% versus pcp¹ with its highest month since September 2020** recorded in August 2021
- Acquisition integration of Kordos Law and Watts McCray is on track and well progressed - **\$0.6m p.a. of synergies have already been realised**

1. Pro Forma Profit & Loss includes the full year contribution from Strong Law, Watts McCray and Kordos Law from 1 July 2020
 2. Operating EBITDA adjusts statutory EBITDA to include the removal of non recurring, non cash or unusual costs, removal of head office costs and costs associated with being listed on the ASX
 3. Underlying EBITDA adjusts statutory EBITDA to include the removal of non recurring, non cash or unusual costs
 4. Year to date refers to the 2 months ending 31 August 2021

03

FY21 RESULTS (UPDATE)

FY21 Income Statement with Profit reconciliation



Underlying EBITDA is the best measure to determine actual performance due to the acquisitions completed during the period

- Due to the acquisitions completed during the period, the reported statutory results do not reflect the underlying performance of the Group. Directors consider Underlying EBITDA to reflect the true underlying earnings of the Group
- Variance between Statutory and Underlying is largely due to the acquisitions completed during the period whose private company accounts (with no adjustments) have been consolidated on a statutory basis into the Group as at the relevant acquisition date
- All non recurring expenses are “one off” or non recurring either in relation to pre acquisition items or one off events such as acquisitions, capital raisings, and costs associated with office expansions or non cash expenses
- Acquisition integration of Kordos Law and Watts McCray is on track and well progressed - \$0.6m p.a. of cost synergies have already been realised

Income Statement Summary (\$m)	FY20	FY21	Change %	FY21 Pro Forma³
Total Revenue	7,039	11,123	58%	16,363
Operating Expenses	(5,298)	(8,449)		(11,632)
Underlying EBITDA¹	1,740	2,674	54%	4,731
<i>% margin</i>	25%	24%		29%
Add: Non Recurring Expenses				
<i>Share based payments (non cash)</i>	369	739		739
<i>Acquisition costs</i>	--	121		121
<i>Pre acquisition related bad debts</i>	34	221		221
<i>Realized cost savings per annum</i>	--	581		581
<i>Greenfield office start up expenses</i>	104	121		121
<i>Other</i>	220	121		332
Statutory EBITDA	1,014	771		2,617
D&A	(625)	(1,147)		(1,585)
Finance Costs	(64)	(119)		(119)
Income Tax	98	12		12,814
Statutory NPATA	422	(482)		925
Amortisation	242	320		320
Non Recurring Income/Expenses (net of tax)	527	1,534		1,324
Underlying NPATA²	1,192	1,372		2,570

1. Underlying EBITDA adjusts statutory EBITDA to include the removal of non recurring, non cash or unusual costs
2. Underlying NPATA adjusts statutory NPATA to include the removal of non recurring, non cash or unusual costs
3. Pro Forma Profit & Loss includes the full year contribution from Strong Law, Watts McCray and Kordos Law from 1 July 2020

Balance Sheet

Robust balance sheet, record cash balance and excess debt capacity

A\$'000s	30 June 2020	30 June 2021
Cash and cash equivalents	1,555	4,658
Accounts receivable	1,802	2,814
Other current assets	141	698
Total current assets	3,497	8,169
Deferred tax assets	563	774
Plant and equipment	68	455
Intangible assets	6,732	10,408
Right of use assets	727	881
Total assets	11,588	20,687
Trade and other payables	1,470	2,777
Current tax liabilities	479	530
Deferred consideration	274	1,938
Borrowings	21	52
Employee provisions	213	577
Deferred tax liabilities	438	514
Lease liability	770	1,004
Total liabilities	3,667	7,392
Net assets	7,921	13,294
Issued capital	122,905	128,307
Reserves	369	823
Retained profits	(115,353)	(115,835)
Total equity	7,921	13,294

Commentary

- Consolidated balance sheet includes the acquisitions of Strong Law, Watts McCray and Kordos Law from 1 October 2020, 1 January 2021 and 1 April 2021 respectively
- \$5.5m capital raising was completed in April 2021 to fund strategic acquisitions
- Strong improvement in debtors days reported during the period
- Increase in goodwill resulting from the acquisitions of Strong Law, Kordos Law and Watts McCray
- Deferred consideration relates to performance linked share payments that may be payable to the vendors of Kordos Law and Watts McCray
- Right of Use assets and Lease Liability (non interest bearing) are in relation to existing rental leases
- Bank debt facility of \$0.5m remains available and the Company is in discussions with lenders to increase this capacity

Financial Highlights since FY17



Strong double digit growth in underlying financial metrics for the last 5 years

AF Legal & Controlled Entities (“Group”)	FY17	FY18	FY19	FY20	FY21	FY21 PF ¹
Revenue (\$000s)	2,071	4,325	4,950	6,893	11,123	16,363
Growth %		109%	14%	39%	61%	
CAGR %					52%	
Underlying EBITDA (\$000s)	100	727	1,236	1,740	2,674	4,731
Margin %	5%	17%	25%	25%	24%	29%
Growth %		627%	70%	41%	54%	
CAGR %					127%	
Revenue per share (cents)	3.45	7.20	8.24	11.47	15.27	22.46
Growth %		109%	14%	39%	33%	
CAGR %					45%	
Underlying EBITDA per share (cents)	0.17	1.21	2.06	2.90	3.67	6.49
Growth %		627%	70%	41%	27%	
CAGR %					117%	

1. Pro Forma Profit & Loss includes the full year contribution from Strong Law, Watts McCray and Kordos Law from 1 July 2020

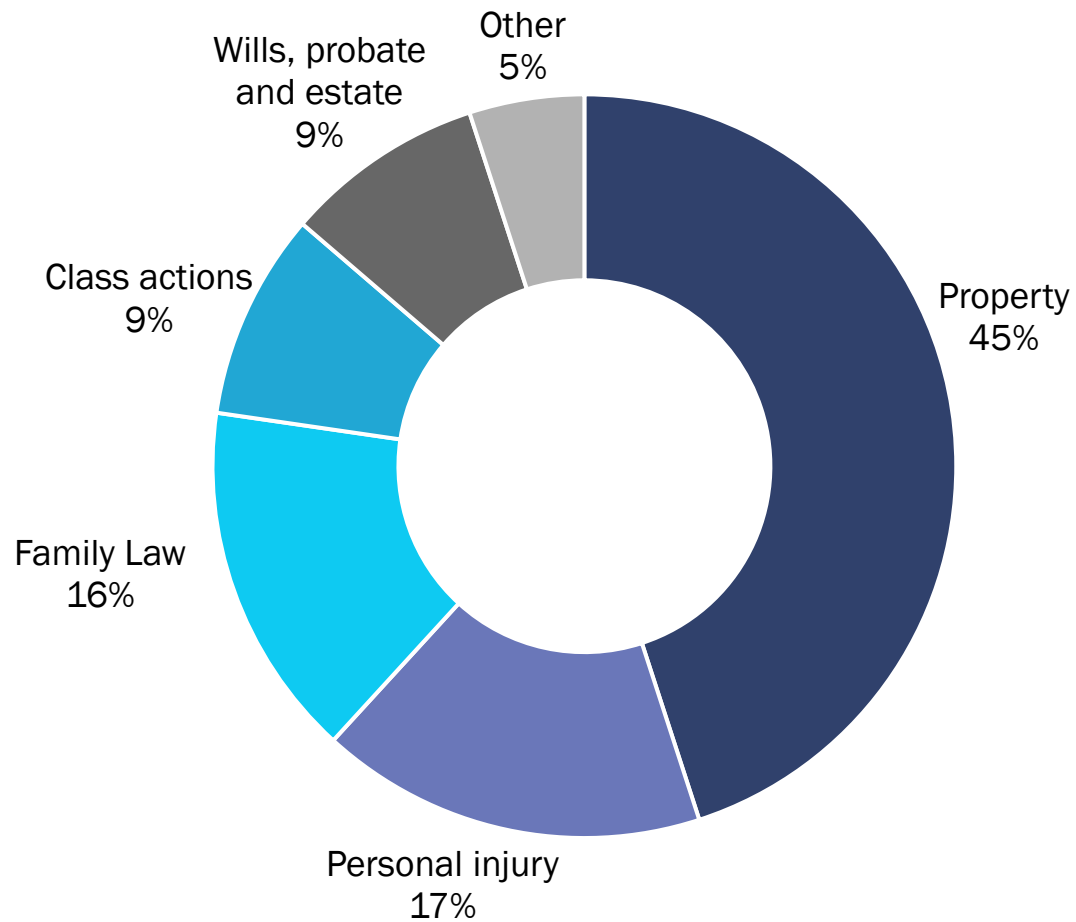
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GROWTH UPDATE

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Personal Legal Services Market is ripe for consolidation

Personal Legal Services Market (2018-19)



- We primarily operate in the **Personal Legal Services market worth an estimated \$7bn**
- Comprises ~20,000 law firms employing over 50,000 lawyers
- **Very fragmented sector;** estimated that 45% of all firms employ less than 20 staff and few operate outside their home city
- **No major players;** top four firms have less than 4% of each of the segments
- Consolidation enables superior growth options and profitability
- **AFL is focused on consolidating the personal legal services sector where large firms traditionally don't compete**

1. Australian Law Reform Commission
Source: Research conducted by management

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Family Law Firms – Time for Disruption and Consolidation

Highly Fragmented



+18,000 private law firms in Australia, 2 lawyers per firm on average

Traditional



Suburban offices, no capital, old systems and process, antiquated IT software

Word of Mouth



Limited or no digital marketing, limited or no advertising, referral-based work

Local Limitations



As referral comes for local presence no expansion beyond one locality

Lack of Scale



Revenues range from \$200,000 to \$1,000,000 for the average firm. Few grow beyond this scale

Lesser Work Types



Legal Aid and Domestic Violence work is the norm and funded leading to lower margin

Slow Growth



It takes 20-30 years for a family law firm to grow to \$1,000,000 in revenue or beyond

Driver



An industry ripe for consolidation / disruption and the arrival of a national dominant player

Our Partnership Model - the 'non negotiables'



STRUCTURE

- Valuation
- Income Accretive
- Consideration blend – cash, script, performance targets
- Succession planning



CULTURE

- People considerations and fit are key
- Mix of experience and youth
- High performing / goal orientated
- Client satisfaction paramount



STRATEGY

- Market positioning
- Unique attributes that compliment existing platform
- Geography exposure
- Ability to modernize and scale



EXECUTION

- Full integration plan from Day 1
- Implement governance and process change
- Immediate cost savings forecast must materialize
- Drive retention and Run rate

Our Value Accretion Model

AFL applies its model to acquisitions to transform firms from antiquated businesses to new age efficient law firms



TOP LINE

- Turbo charge with AFL 2.0 Digital
- Enhance existing work flow channels by ramping up B2B focus
- Drive PR and brand refresh
- Launch new products
- Introduce business accountability and rhythm
- New performance based incentives for staff
- New work conditions for staff – flexibility , tech based practice, pathways to promotion
- Review fee rates



EFFICIENCY

- Remove “low hanging fruit” e.g. duplication of insurances, licenses, telephony etc
- Exit oppressive supplier contracts
- Move to cloud and Microsoft solutions
- Offshore Billing and fee management
- Remove traditional tools – typing pools, photocopiers, desk tops etc
- Utilize applications or practice management – Slack, Salesforce, LawMaster
- Reshape premises – reduce foot print but create optimal environment and efficiency






GOVERNANCE

- Deal structure partners rather than exists with vendors
- Deal Consideration stapled to performance
- Integration plans – milestones and outcomes that transform
- Policies introduced with a focus on financial hygiene
- Scorecard of performance metrics - management and performance aligned to measures
- Modernise Employment Contracts that incentivise and protect

FY21 Acquisitions Update – 3 new acquisitions

AFL is currently assessing a number of acquisitions and is conducting due diligence as appropriate

	NEW SOUTH WALES	MELBOURNE	CANBERRA
			
REVENUE	~\$6m	~\$2m	~\$1m
PURCHASE PRICE	<ul style="list-style-type: none"> • \$1.5m cash upfront • \$1.3m shares earnout 	<ul style="list-style-type: none"> • \$125k cash upfront • \$125k shares upfront • \$750k cash and shares earnout 	<ul style="list-style-type: none"> • \$200k upfront cash • \$150k cash earnout
COMPLETION	June 2021	June 2021	December 2020
INTEGRATION UPDATE	<ul style="list-style-type: none"> • Integration plan 6 months ahead of schedule despite COVID lockdowns • All fee earners retained (except 1) and hitting productivity run rates • Cost savings in supplier contracts, staff efficiencies, utility of CPD programs and precedents 	<ul style="list-style-type: none"> • Integration plan ahead of schedule despite COVID lockdowns • AFL and Kordos teams merged together • Brand architecture - 'AFL Kordos' • Practice platform adopted • 2021 savings to be realized i.e. premises 	<ul style="list-style-type: none"> • Integration complete in 3 months • Operational savings in premises, staff efficiencies, supplier contracts, • Strong Law client numbers continue • Vendor retained

FY21 Network Expansion Update – 4 new offices / lateral hires

AFL is targeting a minimum of 5 new lateral hires or office expansions for FY22

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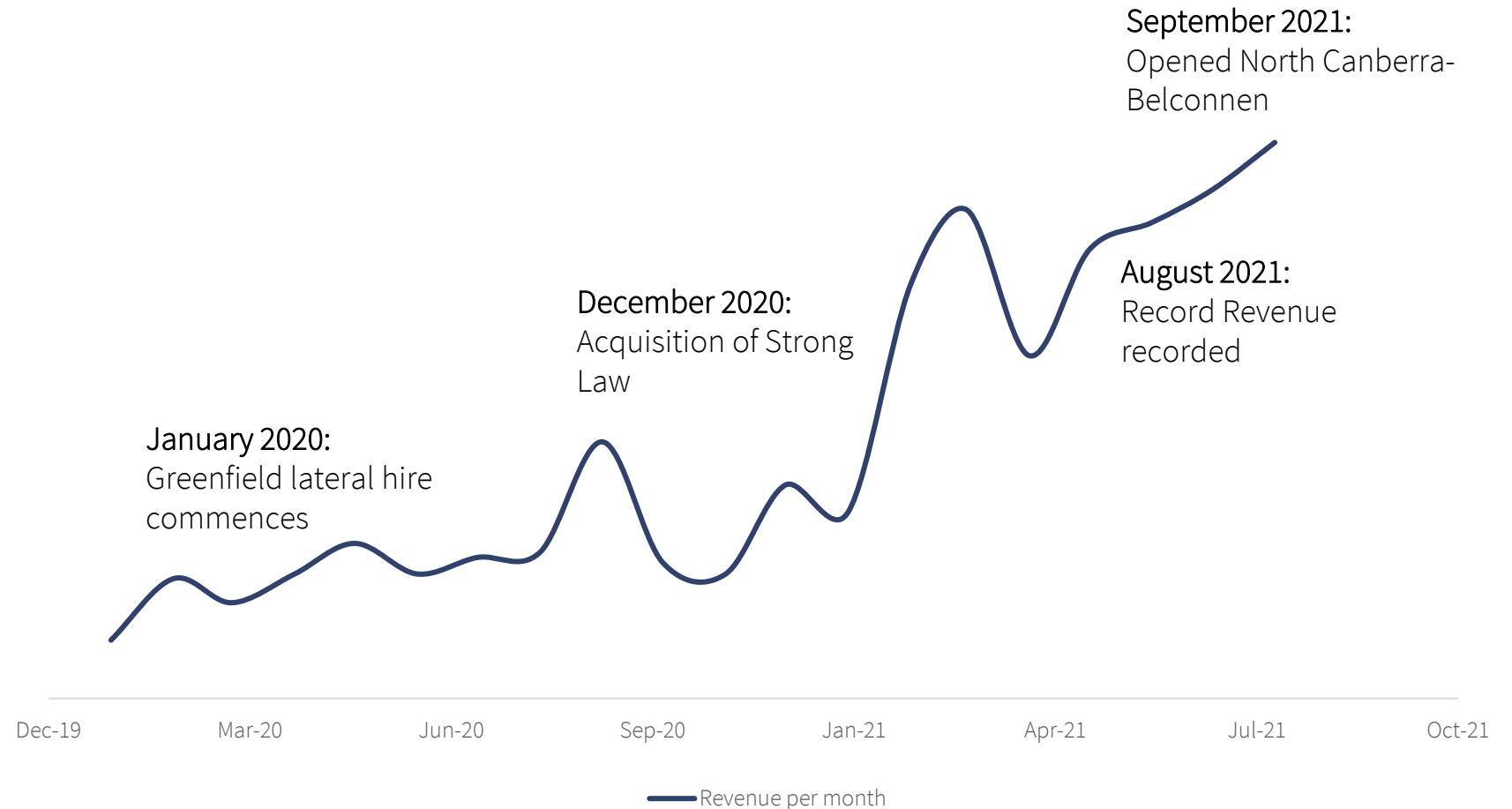
	SOUTH AUSTRALIA	MELBOURNE'S NORTH	WESTERN AUSTRALIA	SUNSHINE COAST
LATERAL HIRE/ EXPANSION	<i>Lateral Hire</i>	<i>Greenfield</i>	<i>Lateral Hire</i>	<i>Lateral Hire</i>
COMPLETION	August 2020	November 2020	December 2020	June 2020
EXPANSION UPDATE	<ul style="list-style-type: none"> Achieved budget in year 1 Second lawyer employed Digital take up initially slow but now ramping up 	<ul style="list-style-type: none"> Serviced Hub in Preston Additional office has seen client cancellations drop 15% Momentum building and overheads are immaterial 	<ul style="list-style-type: none"> New Office – North Perth Digital success – record file openings in September 2021 Second lateral hire complete 3 lawyers in 8 months 	<ul style="list-style-type: none"> 2 lawyers and third being recruited First trial of Radio - doubled file openings in June trial month Brand presence growing as digital gets traction

Case Study: Greenfield Expansion – Canberra



AFL has successfully launched 10 greenfield operating sites since IPO in June 2019

- Greenfield analysis on the Canberra family law market completed in June 2019
- Extensive lateral hire search commenced in August 2019
- Lateral hire secured and office opened in January 2020 with operations immediately cash flow positive
- Acquired an additional \$1m p.a. in revenue with Strong Law in December 2020 (Purchase Price \$350k which included an earnout)
- Record revenue recorded in August 2021 at ~\$200k per month
- Opened North Canberra office in September 2021
- Grown from 1 to 5 fee earners and an additional office in less than 12 months



05

STRATEGY UPDATE

Who are we?

We want to be the largest global family law firm in the world

CORE PURPOSE



To be Australia's largest National Family Law Firm

CORE VALUES



Think Different; Fanatical customer focus; Under promise, over deliver; Act like an owner; Have fun, always

BHAG



To be Australian's number one choice for personal legal services

CURRENT SANDBOX



Related family law services

Capital cities and key regional towns (population greater than 80,000)

Limited deferred / contingent matters; no single file more than 5% of revenue

3 YEAR TARGET



~10% market share in family law across more than 10 locations in Australia

Where are we going?

Strategic acquisitions completed in FY21 provides the scale to build out the platform in FY22 and beyond

FY20

- **Launch AFL 2.0 - #1 Priority**
- Expand into (1) new geographic region
- Recruit (2) lateral hires
- Complete acquisition integrations
- Implement salesforce CRM and recruit dedicated sales team
- Establish additional services lines

Launch AFL 2.0



FY21

- **Presence in all state and territories in Australia - #1 Priority**
- Consolidate outcomes from AFL 2.0 to turbo charge organic growth
- Recruit (1) lateral hire per office
- Offshore non legal back of house functions
- Roll out new product and channel offerings (eg. online support, affiliates)

Drive top-line



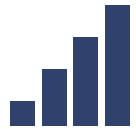
FY22

- Continue organic growth and integrate acquisitions
- Assess larger scale acquisitions
- Assess new jurisdictions
- Expand into adjacent sectors and service lines (eg. wills and estates)
- Pursue 10% market share of family law market in Australia

Build out platform

Whats Next? FY23 and beyond...

Strong organic growth platform will be the focus with an expanded sandbox for future acquisitions to enter new markets



ORGANIC GROWTH



- **Target 10-20% growth p.a.**
- Roll out AFL 3.0 – The next stage of digital client acquisition
- Launch above the line Advertising programs (e.g. radio, TVC, sponsorship etc)
- Increase corporate services partners and aggressive B2B database management and referrer engagement
- Roll out BNPL financing solutions



GREENFIELD GROWTH



- **Minimum 5 new offices per annum**
- Capital city suburban hubs – “hub and spoke” in large pockets within capital cities (e.g. North Melbourne in FY21)
- 25 regions identified as potential office locations (Populations of > 80,000 support family law firms)
- Market Dynamics support lateral hires as a shift in legal talent is occurring due to the ageing of the baby boomers



ACQUISITIONS



- **Opportunistic basis with expanded sand box**
- Acquisition “sandbox” has already expanded to include opportunities outside of family law but within the personal legal services market
- Continue to assess acquisition opportunities (sometimes large) in family law – both “bolt on” acquisitions and platform acquisitions in existing and new jurisdictions

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THANK YOU

