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ASX Announcement

29 August 2022

AFL delivers record financial performance for FY22

Launches next 3-year strategy "AFL 3.0" and new "Owner Operator" model

FY22 Highlights

- **Financials** – Record financial performance, FY22 revenue and Underlying EBITDA were $18.5m and $3.4m, +67% and +63% growth. FY22 Pro Forma Revenue and Underlying EBITDA was $20.5m and $4.0m respectively. Compounded annual rate of growth of underlying EBITDA per share since IPO in FY19 is +30%.
- **Organic Growth** – Recorded +11% organic revenue growth with +62% growth in file openings, a strong leading indicator for FY23. Expanded to 18 offices with new office openings in Alice Springs and Wollongong combined with an office expansion in Canberra.
- **Funding** – Signed a $10m acquisition facility to support future acquisition growth.
- **Strategy** – Launched AFL 3.0 "owner operator" model with acquisition of 51% controlling interest in Withnalls Lawyers in Northern Territory.
- **Growth** – Strong pipeline of organic and acquisition growth opportunities are underway in both family law and adjacent sectors.
- **Structure** – Appointed new independent non-executive Chairman, Rick Dennis and non-executive Director, Sarah Kelly.

FY22 Financials

$'000	FY21	FY22	% change	FY22PF [1]
Revenue	**11,009**	**18,519**	**68%**	**20,464**
Underlying EBITDA	**2,092**	**3,410**	**63%**	**3,956**
Margin (%)	*19.0%*	*18.4%*		*19.3%*
Underlying EBITDA (pre. AASB16)	1,432	2,318	62%	2,864
Statutory EBITDA	770	2,082	171%	2,732
Statutory EBITDA (pre. AASB16)	109	990	811%	1,641
Underlying NPATA	**817**	**977**	**20%**	**1,132**
Statutory NPATA	(162)	(18)	89%	214
Underlying EBITDA per share	**2.9**	**4.5**	**56%**	**5.2**

1. *Pro Forma numbers include the full year contribution of the Withnalls acquisition from 1 July 2021 on a consolidated basis as required by AASB*

Financial Performance

- ***Revenue of $18.5m (+68%):*** Organic revenue increased +11% compared to the prior period. Management continues to target a range of 10-20% for organic growth. Acquired revenue contributed to the majority of the increase compromising of contributions from both in year acquisitions and acquisitions completed in FY21. Revenue growth would have been stronger if not for COVID related staff shortages due to staff absenteeism (including supporting family members with illness), leave taken (not taken during COVID), general staff shortages due to tight labour market and client cancellations due to illness. File openings were up +62% versus the same time last year which provides a strong leading indicator for growth in FY23. Compounded annual rate of growth in revenue since IPO in FY19 is +55%.
- ***Underlying EBITDA* of *$3.4m (+63%):*** The increase in Underlying EBITDA reflects the strong revenue result for the period. Margins would have been higher if not for significant planned operational expenditure incurred to support future growth in the platform (e.g., IT, systems, finance and marketing etc). Moving forward, margins are expected to improve as the operational platform has been built and continuous improvements will be made to drive operating efficiencies across the various offices as the business continues to scale. Compounded annual rate of growth in underlying EBITDA since IPO in FY19 is +40%.
- ***Pro Forma Revenue and Underlying EBITDA of $20.5m and $4.0m:*** These pro forma numbers include the acquisition of Withnalls Lawyers for the full year period. This acquisition would have added $1.9m of revenue and $0.5m of Underlying EBITDA to the full year results on a consolidated basis. Management believes this is a more accurate reflection of the underlying operations of the business than non pro forma or statutory financials.
- ***Cashflow from Operating Activities* of *$1.0m:*** Would have been higher if not due to the timing of deferred tax payments to the ATO of $1.0m in FY22 versus $0.2m in FY21. Removing this timing difference results in a +51% improvement in Cash flow from Operating Activities versus last year. This improvement reflects the ongoing and disciplined approach to working capital management with significant room for improvement in FY23.
- ***Group Net Debt of $3.6m:*** Reflects a robust balance sheet, healthy cash balance and excess debt capacity. A $10m bank debt facility is now in place to support future growth acquisitions if required. The reduction in cash versus last year reflects payments made to fund acquisitions during the period.
- ***Underlying EBITDA per share:*** Grew to 4.5 cents in FY22 (+56%) or 5.2 cents on a Proforma underlying EBITDA per share basis. Compounded annual rate of growth of underlying EBITDA per share since IPO in FY19 is +30%.

Commenting on the FY22 performance, Grant Dearlove Executive Director said:

"AFL is a strongly defensive business with compounded annual revenue and underlying EBITDA growth at +55% and +40% respectively since IPO 3 years ago. With our current strategy focused on family law with an addressable market in excess of $1bn in that market alone, we feel confident that there is still very substantial growth ahead. We will also move into other areas of law which would increase our total addressable market to $7.5bn+. It is an exciting time for AFL and its stakeholders.

The FY22 performance of the business was a significant improvement on FY21 despite well documented headwinds in the economy and significant operational investment in our platform to support future growth. With the platform now built, we are excited about the next 3-year strategy we have released being "AFL 3.0" and our new "owner operator" model and what new growth channels that can provide. We continue to prepare the business for future growth and are well positioned to execute our long-term plans."

For more information, please contact: Executive Director, investorrelations@aflegal.com.au

The Board of Directors of AF Legal Group Limited, has approved the release of this document to the market.