

ASX Announcement

19 October 2022

Australian Family Lawyers proposed merger with GTC Legal Group presentation and webinar

AF Legal Group Ltd (ASX:AFL, **AFL** or the **Company**) will host an investor webinar to discuss the proposed merger with GTC Legal Group on Wednesday, 19 October at 2pm AEDT. Grant Dearlove, Executive Director, will present to the attached slide deck. The webinar is expected to run for approximately 45 minutes.

Register to attend at:

https://us02web.zoom.us/webinar/register/WN_NKdliqpQRWy2FKCal9nR7Q

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

For further information please contact:

Investors

Grant Dearlove
Executive Director
E: investorrelations@aflegal.com.au
P: +61 413 010 140

Aidan Brooksby
Director, Automic Markets
E: aidan.brooksby@automicgroup.com.au
P: +61 431 716 947

Media

Tristan Everett
Executive Director, Automic Markets
E: tristan.everett@automicgroup.com.au
P: +61 403 789 096

About AFL

The Company and its subsidiaries (**Group**) principal activities is a tech enabled law firm that currently specialises in family and relationship law. The Group provides advice to clients in respect of divorce, separation, property and children's matters together with related and ancillary services such as litigation. For more information, please visit www.australianfamilylawyers.com.au.

About GTC

GTC Legal Group Holdings Pty Ltd and its subsidiaries operate nationally and include a "traditional" model law firm (Armstrong Legal); a "non-traditional" revenue-sharing model law firm (GTC Lawyers); around 1,500 network partners (All Courts Lawyers), and a front and back office service company (GTC Legal Group Services).

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PROPOSED MERGER WITH GTC LEGAL GROUP

19 October 2022

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01

TRANSACTION OVERVIEW

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Transaction Overview



Transaction Overview



- AF Legal Group Limited (“AFL”) has entered into an agreement to acquire 100% of GTC Legal Group Holdings Pty Ltd, the holding company of Armstrong Legal and GTC Lawyers (“GTC”)
- The transaction will create one of the largest personal services legal firms in Australia with pro forma FY22 revenue of \$40.8 million, EBITDA of \$8.8 million and EBITA of \$6.2 million (excluding synergies which are expected to be material)
- The transaction is 40% EBITA per share accretive (pre synergies) for AFL shareholders, with proforma FY22 EBITA per share increasing from 3.5 cents per share to 4.9 cents per share

Overview of GTC



- Founded in 2009, GTC was one of the first “platform” law models in Australia disrupting the traditional model of law firms operating within the personal legal services market
- GTC has seven offices in Australia and operates across seven segments of personal law including family law, criminal law, contested estates, civil and commercial, administrative, agency and immigration
- The business has 116 staff and generated pro forma \$20.3 million in revenue, \$4.8 million in EBITDA and \$3.6 million in EBITA in FY22

Deal Structure



- The total consideration paid to the vendors of GTC is estimated to be 49,709,716 in AFL shares. In addition, AFL will acquire the outstanding debt in GTC at completion which is expected to be \$10 million
- At completion of the transaction, the total ownership of AFL held by the vendors of GTC is estimated to be 39%
- Given the transformational nature of the transaction, two new executive directors from GTC will be added to the Board at completion

Transaction Timetable



- 16 November 2022: Dispatch of Notice of Meeting, Explanatory Statement and Independent Expert report
- 16 December 2022: Extraordinary General Meeting of AFL shareholders
- 20 December 2022: Completion of Proposed Merger – issue of shares to GTC’s shareholders

Note: Please review AFL’s ASX announcement on 18 October 2022 for further details on all disclosures included within this presentation

The Directors of AFL unanimously recommend that AFL shareholders vote in favour of the transaction




- ✓ Delivers immediate scale, increased revenue and profitability and a more diversified earnings base
- ✓ Greatly expanded and diversified legal offering from family law only to an additional six practice areas
- ✓ Exposure to fast growing “consultant” platform model which has disrupted the “partner” law model in the comparable UK market
- ✓ Geographic footprint increased from 19 to 26 offices in Australia under seven quality and recognised brands
- ✓ Greatly enhanced organic growth opportunities in all markets where the combined group will have a presence
- ✓ Immediate and long term revenue and cost synergies including significant reduction of duplicated costs already identified
- ✓ Strengthened board and leadership team with proven track records in legal market disruption and consolidation
- ✓ Greater liquidity for shareholders through increased market capitalisation and capital market significance
- ✓ Over 40% EBITA per share accretive transaction for AFL shareholders

02

INTRODUCTION TO GTC LEGAL GROUP

Founded in 2009 as a legal referral service, GTC is now a diversified legal offering




 Strong financial profile with **FY22 revenue of \$20m and EBITDA of \$5m**


 Australia's busiest legal hotline fielding over **80,000 enquiries each year**


 Australia's two largest legal websites for consumers – **450,000 hits per month**

 Australia's largest legal referral network with **1,500 lawyers contracted as 'partners'**

 A national legal practice with **63 fee-earners and 32 consulting principals**

 Australia's only national court agency service

 Cloud-based back office outsourcing service for legal firms

 Highly developed digital marketing and technology capabilities improve law practices' organic growth and profitability



Family Law



Criminal Law



Contested Estates



Civil & Commercial



Administrative



Agency

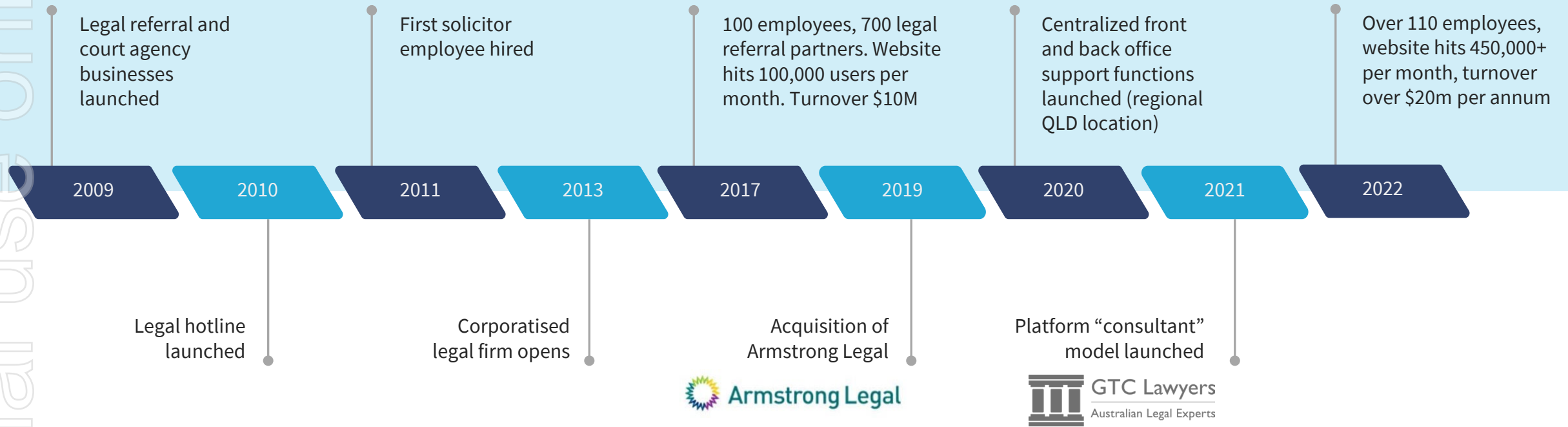


Immigration

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History of GTC

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THE SITUATION FOR MOST AUSTRALIANS

> Finding a lawyer is a difficult and daunting process

> 'Where do I start?' 'Who should I see?' 'How do I find a good lawyer?'

> These days a web search, usually via Google, is the starting point

GTC OFFERS AUSTRALIANS

✓ The two biggest legal reference websites in the country

✓ A true Legal Hotline, 7am-midnight, 7 days – talk to a lawyer any time

✓ Referral to best-ranked local lawyer

✓ Peace of mind, convenience and value for money

✓ Fast, affordable legal advice and access to justice

Generates revenue from two distinct brands



- **Traditional Law firm model** (versus traditional “partner equity” model)
- High calibre experienced lawyers operating from **Armstrong offices**
- **Base salaries** with performance incentives (e.g. cash)
- **No partners**, fee earners earn fees and managers manage
- Scalable proprietary technology drives efficiencies and enables agile working
- Comprehensive support and risk management by central team



- **Non traditional “Consultant” platform model** – ultra fast growing model in the UK
- High calibre experienced self-employed “consultant lawyers” operating from **own offices**
- **No fixed salaries**: consultants receive a fixed % of their billings from GTC and also pay a referral fee per lead to GTC
- Less financial risk than a “Start up law firm” for the lawyer who wants to run their own business
- Lawyers can focus on legal work and clients, avoid management obligations, commuting, politics etc
- Lawyers work remotely so no office constraints/ paid when paid – **no working cap constraints**

BOTH BRANDS ARE SUPPORTED BY CENTRALISED FRONT OFFICE AND BACK OFFICE FUNCTIONS

A key competitive advantage of GTC is that it attracts over 450,000 hits via its websites per month with NO paid online advertising



Website Activity

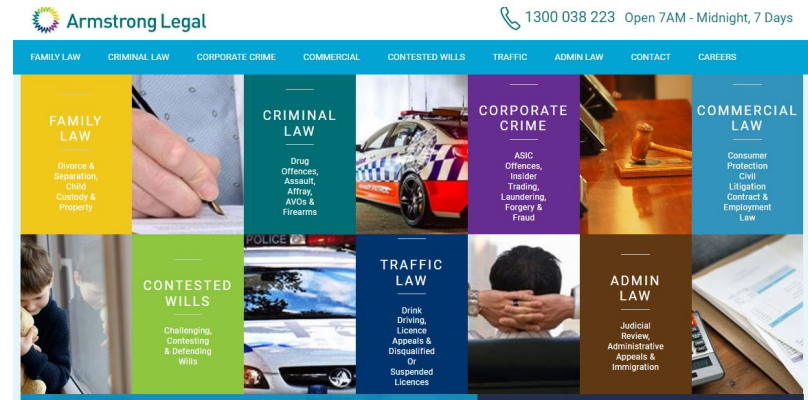
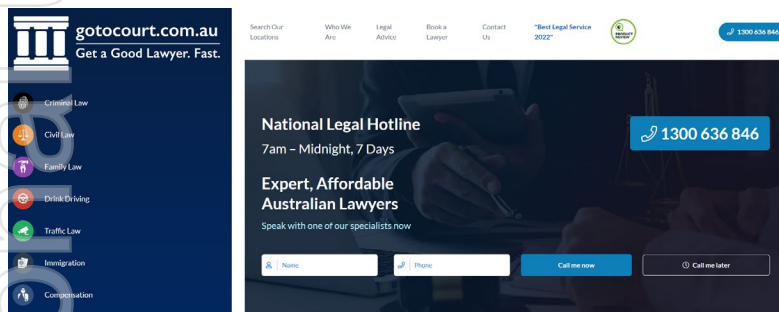
- Over 450,000+ website visits per month
- Generates 120+ client enquiries daily (phone calls or web forms)
- *Purchasing the same amount of leads from AdWords would cost well more than \$5m per annum*

Hyper Local Search Traffic

- Hyper local traffic “lawyer near me”
- Actively target every suburb in Australia that contains a courthouse or a legal office
- Multiple specialty pages for each area of law in a target suburb "Civil Lawyer SUBURB", Criminal Lawyer SUBURB" etc
- Locations also benefit from ranking in over 2,700 local search phrases, including over 200 in the top 3 results such as:
 - “Good lawyers”
 - “Lawyers Melbourne”
 - “Traffic Lawyers Sydney”
 - “Lawyers Dandenong”
 - “Criminal lawyer Blacktown”

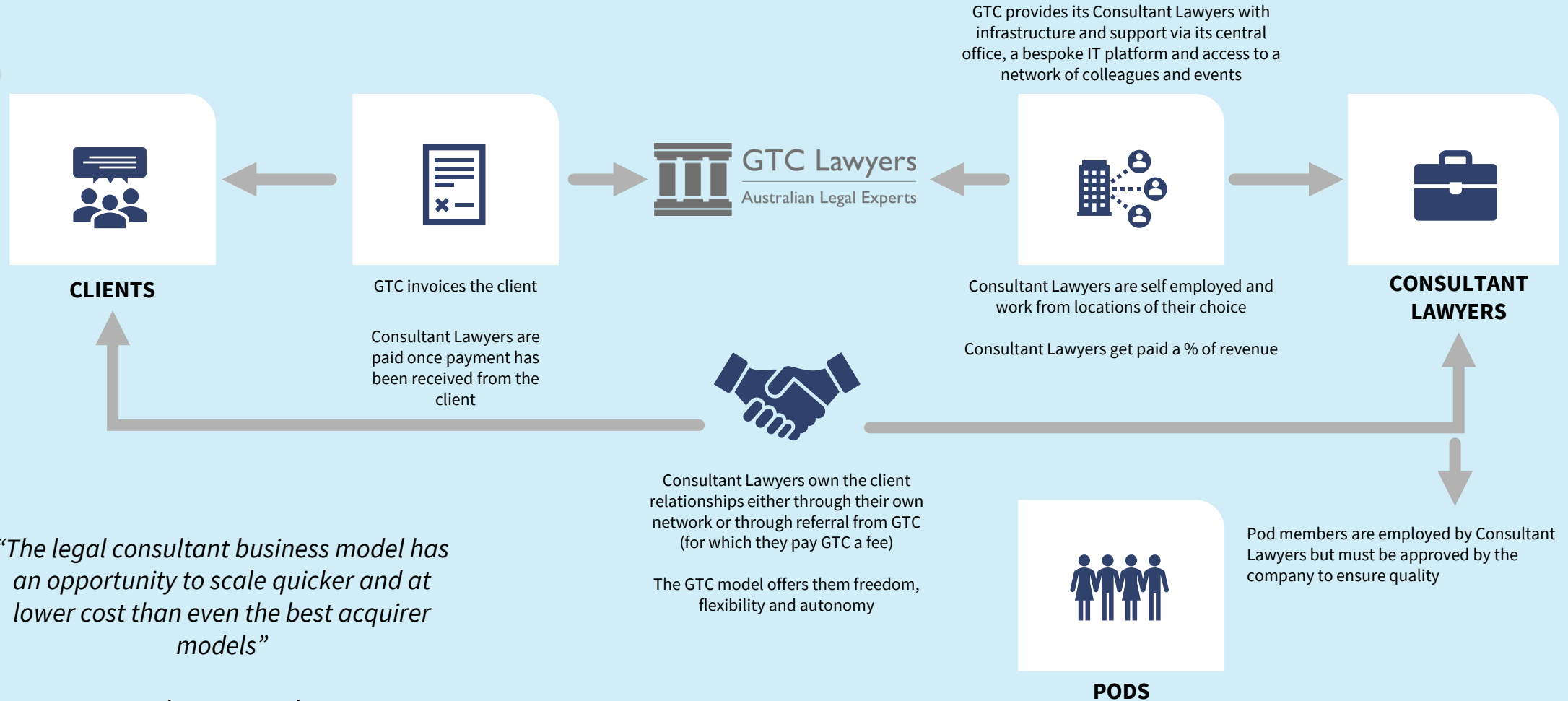
Extensive Local Directories

- Over 125+ Google my business listings
- Over 6200+ local Yellow pages listings
- Over 1980+ white pages listings
- Page listings on another ~100 other minor directories



What is the non traditional “Consultant” platform model?

A law firm where lawyers are typically self employed and keep the bulk of client fees, with the remainder going to a central platform for admin, branding and support services



“The legal consultant business model has an opportunity to scale quicker and at lower cost than even the best acquirer models”

Arden Research

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The “Consultant” platform model – the UK experience

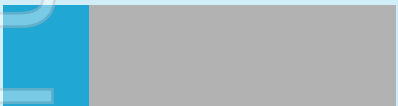
Consultant law firms in the UK are disrupting the legal market

67%



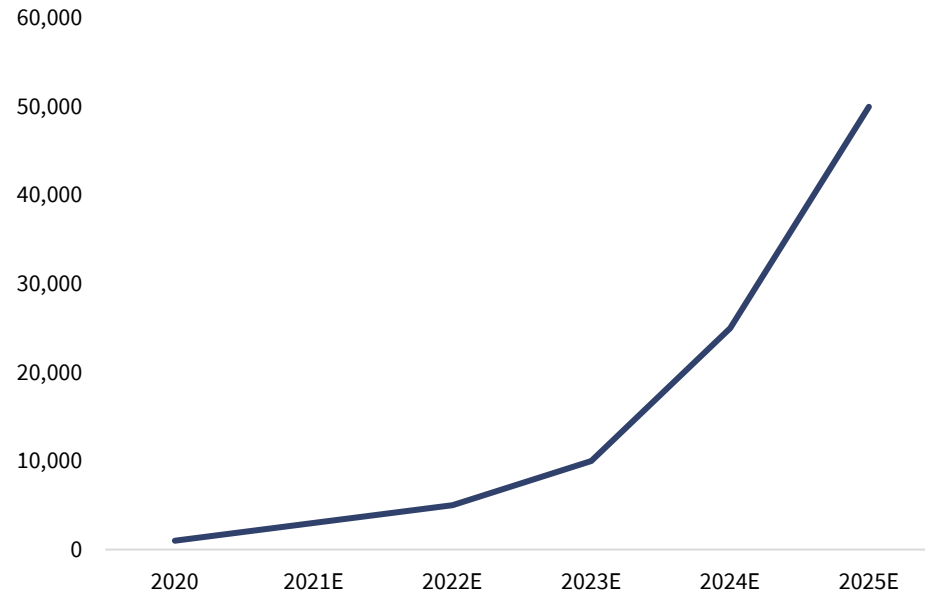
of lawyers prefer a hybrid home/office work model
Atlas Cloud, 2020

22%

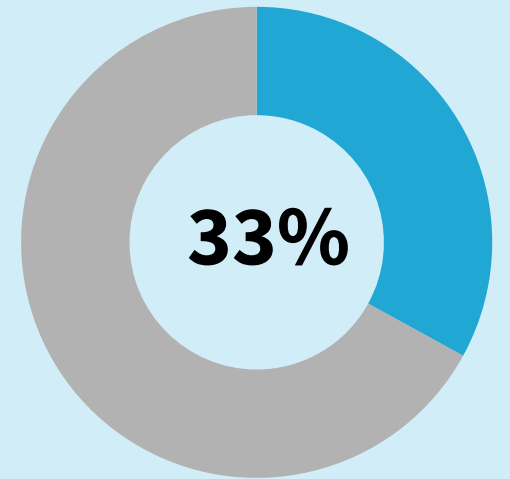


want to work from home full time
Atlas Cloud, 2020

The Consultancy Model: Growth Trajectory



Source: Arden Research



of lawyers could be working as consultants by 2026
Arden Partners, 2021

KEYSTONE LAW



gunnercooke



SMART MODERN LAW



03

MERGED GROUP OVERVIEW

A synergistic approach to driving growth and creating shareholding value



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	Australian Family Lawyers	+	GTC Legal Group	=	Merged Group
Legal Service offering	1 practice area (Family law only)		7 practice areas (incl. family law)		Family, Criminal, Contested Estates, Civil & Commercial, Administrative, Agency and Immigration
Revenue split	100% family law		No one segment >45% revenue		Multi service diversified legal offering
Locations	19 Offices		7 offices		26 offices (excl. satellite offices)
Website visits	20,000+ per month		450,000+ per month		470,000+ per month
Staff	87 employees		116 employees		203 employees
FY22 Pro Forma	Revenue: \$20.5m EBITDA: \$4.0m		Revenue: \$20.4m EBITDA: \$4.8m		Revenue: \$40.8m EBITDA: \$8.8m
Average fee per client	~\$8,000 per client		~\$7,000 per client		~\$7,500 per client

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We will be a much larger and more diversified law firm with a difference

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 **+26**
offices

 **+203**
employees

 **+27%**
FY22 revenue growth

 **~1%**
market share



Family Law



Criminal Law



Contested Estates



Civil & Commercial



Administrative



Agency



Immigration

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Our addressable market has expanded from \$1bn to over \$20bn



- ✓ Australia's personal legal industry is highly fragmented and ripe for disruption
- ✓ Average number of lawyers per firm is 3 – 97.5% of all legal firms employ less than 20 people
- ✓ 18,748 private firms, employing 56,249 lawyers
- ✓ No major players, top four firms have less than 4% each of the total market
- ✓ Large firms service personal injury, large corporates and the public sector

Multi channel revenue sources supported by a group centralised services function

Traditional

- Corporatised legal model
- 100% subsidiaries
- Growth from lateral hires and small acquisitions



Owner Operator

- Partner Owner Model
- More than 51% majority controlled subsidiaries
- Ideal for long term succession planning partners



Non Traditional “Consultant”

- No ownership – all consultants are sole traders or run their own firm
- Fixed % of revenue billed earned from each consultant

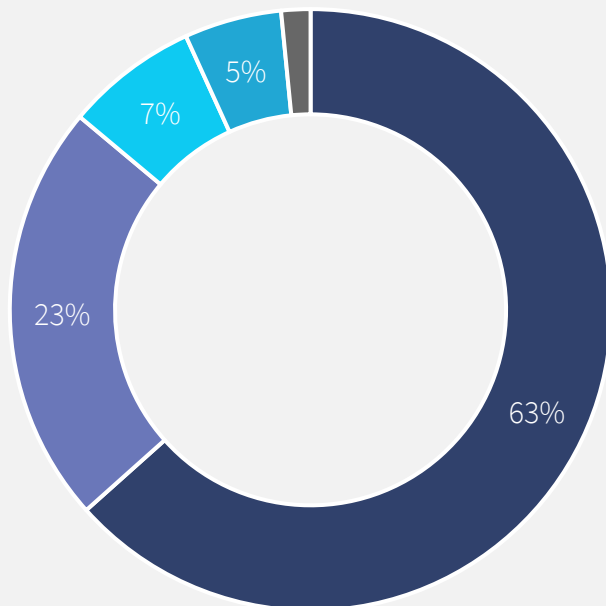


SUPPORTED BY CENTRALISED FRONT OFFICE AND BACK OFFICE FUNCTIONS

A diversified legal offering across a group of quality brands



Revenue per area of law



■ Family ■ Criminal ■ Contested Estates ■ Civil & Commercial ■ Other

Note: "Other" includes Administrative, Agency and Immigration

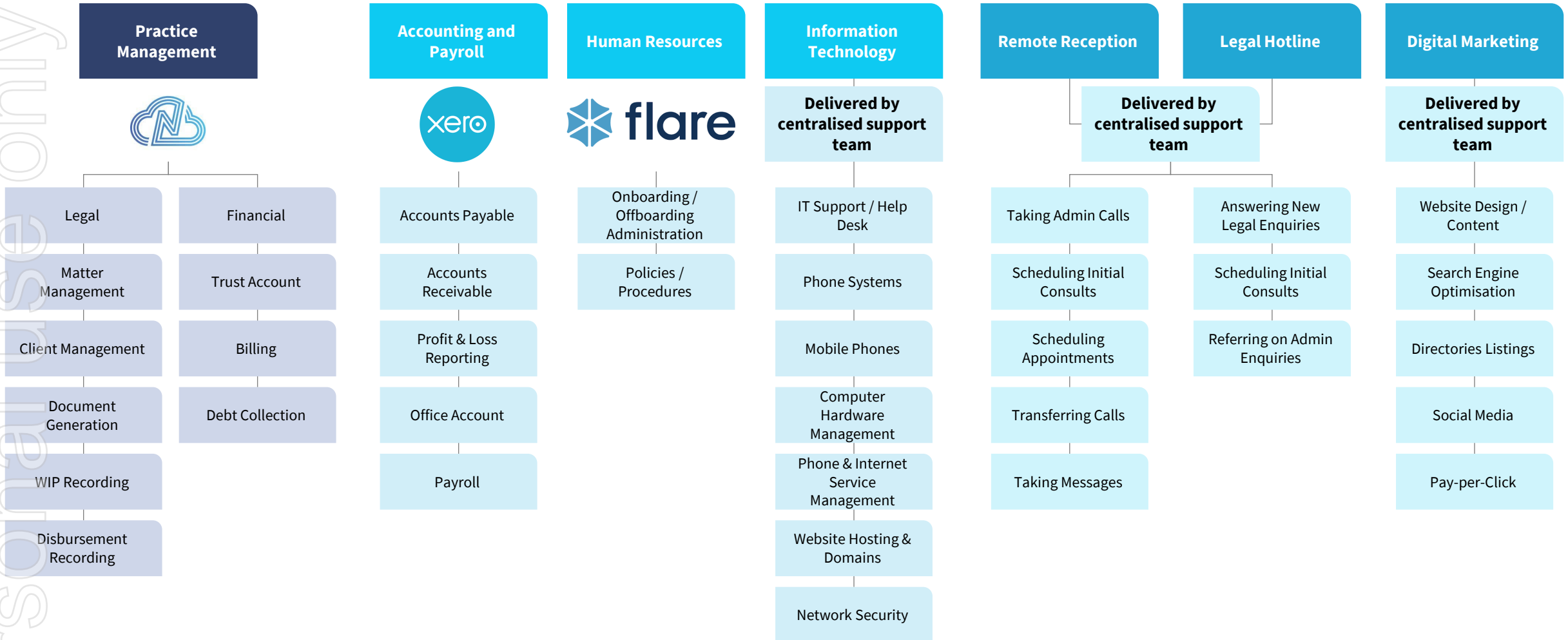
Operating Brands



Significant and scalable regionally located centralised front office and back office from GTC will deliver synergies across the group upon integration

Back office

Front office



Pro Forma Financial Overview



- Pro forma numbers exclude immediate and long term revenue and expense synergies which are currently being quantified and expected to be material, with a significant reduction of duplicated costs already identified
- As part of the transaction, AFL will be acquiring the net debt of GTC which is estimated to be \$10.0m and capped at \$10.5m
- AFL has already obtained indicative support from its bank to refinance the debt that will be acquired on GTC's balance sheet. In addition, the total facility will be expanded to accommodate future acquisitions that will first be funded by free cash flow generation from the merged business with additional debt available if required

Pro Forma Profit & Loss A\$'000s	FY20 Merged Group	FY21 Merged Group	FY22		Merged Group
			AFL	GTC	
Revenue	28,803	32,113	20,462	20,372	40,834
Underlying EBITDA	7,146	7,914	3,956	4,814	8,770
AASB 16 (occupancy costs)	(1,755)	(1,963)	(1,092)	(1,207)	(2,299)
Underlying EBITDA (pre AASB 16)	5,390	5,952	2,864	3,607	6,471
Depreciation on fixed assets	(308)	(335)	(204)	(30)	(234)
Underlying EBITA	5,082	5,616	2,660	3,577	6,237
<i>Non recurring income (expenses)</i>					
Share based payments (non-cash)	(369)	(739)	(945)	(32)	(976)
Transaction expenses	--	(121)	(347)	(205)	(552)
Non recurring income	160	366	--	490	490
Non recurring expenses	(506)	(561)	--	(632)	(632)
One off expenses	(180)	(180)	124	(644)	(520)
One off growth related expenses	(104)	(121)	(56)	(101)	(157)
Statutory EBITDA	6,147	6,559	2,732	3,691	6,423
Statutory EBITDA (pre AASB 16)	4,392	4,596	1,641	2,485	4,125
Statutory EBITA	4,084	4,261	1,437	2,454	3,891
Number of shares (at completion)					128,271,134
Underlying EBITA per share					4.9 cents
% growth v last year					40%

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Investment Highlights



One of the **largest specialised personal legal services firms in Australia**



Disrupting the legal personal services market with alternative law structures, more scalable labour models and centralized support



First mover advantage in the “platform law model” to capitalize on post COVID structural shifts in remote working



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



Strong diversification with no client, lawyer, sector or practice area dependency



Strong pipeline of organic and acquisition growth opportunities

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\$20bn+
potential market opportunity



\$41m
FY22 Revenue



\$9m
FY22 EBITDA



27%
FY22 Revenue Growth



21%
FY22 EBITDA margin



~1%
Market Share

Disclaimer



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