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28 November 2024

AF Legal Group Limited - 2024 AGM Chair & CEO Address

Chair's address – Rick Dennis

Dear Shareholders,

2024 was a significant year for the AF Legal Group as we continued to navigate our stabilisation phase, which commenced in the second half of financial year 2023 and continued across financial year 2024, before we re-energised our growth in the latter part of FY24.

It was pleasing to deliver our third consecutive half of profitability, and it is from this solid base that we are now beginning to show the early signs of that growth.

2024 saw us deliver our highest ever revenue of $21.7 million and our best bottom-line achievement, with normalised NPBT attributable to the owners of the AF Legal Group of $0.8 million.

During the year, in recognition of the fact that we clearly identified the need to grow our organisation to gain scale, we announced on 1 March 2024 our growth strategy which was based not just on growth in the family law sector, but also by expanding into complementary areas of law.

This was followed shortly after by the acquisition of Armstrong Legal Contested Wills & Estates (CWE) from April 2024. This was a very significant move for our organisation as it represented our first move beyond Family Law, moving into a complementary area of law. As reported in our full year FY24 results, the impact of the newly acquired Contested Wills & Estates division on our results has been immediate with the additional revenue delivering to our bottom-line profitability at a greater rate given the relatively fixed nature of our centralised cost base.

This initial acquisition, which was our first since January 2022 included the extension of our $9 million NAB finance facility out to January 2027 and our first draw down against that facility. Additionally, the acquisition also saw us raise $1.9 million through an Entitlement Offer, with strong participation from the majority of our significant shareholders and notably a $0.25 million participation from our CEO.

We further outlined at the time of the release of our full year 2024 results that we were looking forward to further acquisitions to complement our organic growth, with these growth opportunities being built off the solid foundation put in place across the first twelve months of the new management team. It has been pleasing to witness the transition of our organisation into one that is truly people-first and practice-led and Chris will expand upon this in his discussion with very pleasing comparative results of our Great Place to Work surveys at the start of financial year 2024 with a more recent one completed in October 2024.

In October 2024 we announced a further acquisition, that being the acquisition of the Criminal Law and Family Law practices of Armstrong Legal, as well as the armstronglegal.com.au website. The significance here was threefold, adding a third area of law in Criminal Law, acquiring a quality Family Law team to bolster our Watt McCray Sydney based practices and also obtaining an industry leading website with considerable lead generating ability and with further potential.

I want to comment briefly on the thinking behind our expansion into new areas of law with our presence now in Family; Contested Wills & Estates; and Criminal law. These have been selected because they are legal practice areas without large or better resourced national competition. In each area we will be better resourced in marketing; practice management systems and career progression for staff than nearly all our competition, who tend to be small partnerships. The fact we have a national presence in these areas has benefitted us in Family Law due to the ability to share work among lawyers in different states in what is a national area of practice. The benefits in the other two areas from being a national firm are less obvious immediately but there are exciting opportunities to have us become the go-to option for referrals by large national organisations (including other well known, large national law firms who do not practise in these areas). Many such organisations are approached for referrals in criminal and estate litigation law and presently deal with lists of various local options. We offer the opportunity to be a single referral option with the ability to offer referrals in reverse; though of course this requires us to convince them of our high standards which we are doing.

I am particularly excited that AFL is moving into the area of criminal law which brings with it many adjunct areas such as defending clients being prosecuted by professional disciplinary bodies; coronial inquests; traffic; corruption and other commissions of enquiry; and ASIC investigations and prosecutions. There is significant scope to grow our criminal law practice geographically.

Chris will shortly touch on our first quarter performance for the 2025 financial year but it is safe to say that the positive momentum is continuing.

I would like to acknowledge and thank my co-directors, Peter Johns and Sarah Kelly for their support and advice; our management team, in particular Chris and Stace for their dedication and commitment, and to you our shareholders for your ongoing support.

CEO's address – Chris McFadden

Thanks Rick.

It has been quite a year as Rick has touched on there, we are now delivering consistent profitable growth with the benefits of both our recent acquisitions yet to fully impact our results, so definitely exciting times ahead for AF Legal.

I'd like to start by providing some more detail on a topic Rick touched on, that being our transformation to being an organisation which is truly people-first and practice-led. When the new management team was put in place in July 2023, one of the first things we did was commission a survey through Great Place to Work ® who really are one of the best in understanding the mood of an organisation's team members. This first survey and its results which were delivered in August 2023 provided us with a great deal of granular detail to drill down on but at a headline number the result was 53%. Effectively 53% of our team members believed the AF Legal Group and our various branded divisions was a "great place to work". It wasn't surprising but it was sobering and made it clear that much work was needed to be done to regain the trust and confidence of our team members. Roll forward to October 2024 and we have now received the results of our second such survey through Great Place to Work ® This time around the result was a very pleasing lift of 31% to deliver an overall result of 84%, something we can really be proud of.

In many ways that result of 84% is perhaps the most important number we will present here today and from this base we are confident that we have a great platform to deliver improving performance as we build an organisation which indeed does put its people at the centre of everything it does. We will continue to work hard on this aspect of our organisation and not rest on our laurels as we strive to make further gains in the years ahead.

Financial year 2024 was a busy one in terms of new offices and whilst we have outlined this in our financial year 2024 results, we did open five new leased offices in Bayside & Gold Coast QLD; Joondalup WA; Canberra ACT; and Illawarra NSW. Other than the Canberra office, which was a relocation within the same building, the other four represent us taking up a permanent presence where previously we had set up in serviced office market entry locations, with these businesses now sufficiently mature to warrant this more permanent commitment. Additionally, we also opened two serviced office locations in Frankston VIC and Double Bay NSW and have seen pleasing starts to these operations. This expansion is in line with our organic family law growth strategy of opening complementary family law practices which feed off our existing network.

Again, something that we announced with our full year 2024 financial release but which bears repeating is in the area of promotions. We continue to develop our team members with 24 promotions announced since the start of FY24, representing over 30% of our lawyers and legal support staff. This development focus remains paramount, driven by our desire to present achievable and rewarding career pathways to our team members, be that through the careful nurturing and development of our new lawyers, but also by facilitating advancement at the higher levels also.

The two Armstrong Legal based acquisitions have moved us into two new complementary areas of law, bringing us new teams in the shape of the Contested Wills & Estates team under the leadership of Alun Hill, and the Criminal Law team under the leadership of Angela Cooney. The quality gained here is without question with the two divisions including 6 Accredited Specialists to add to the 10 Accredited Specialists we have across our various Family Law practices. Additionally, the acquisition brought us a further four Family Law team members from Armstrong Legal under the leadership of Laura Lincoln, who have already been successfully integrated into the Watts McCray Sydney based practices.

This takes us to around 56 Lawyers on an FTE basis end of October including our newly acquired teams but bear in mind their revenue and profitability impact doesn't really start until November. Whilst we have recently seen 4-5 new lawyers join us since the end of Q1 we do still have a few vacancies plus a couple of upcoming maternity leaves to plan for, so we remain on the lookout for top talent and our recent additions definitely fit the bill here and have started very well.

We anticipate that the addition of the armstronglegal.com.au website will provide a significant opportunity to accelerate our digital growth. It's only early days in our ownership of this site but initial indications are quite positive. Inquiry volume is above that expected which is now our challenge to deal with, but what a great problem to have. Our Marketing and Digital teams are working closely with the Armstrong Legal teams to maximise conversion and adapt processes as required to deliver an optimum result here.

Based on our financial year 2024 digital KPIs we were already trending very positively in this regard. Savings have been realised with the cost per new client file reducing by 40% through continual improvement of our digital acquisition model and growing brand recognition. We continue to strengthen our SEO strategy reaching a goal of 40% enquiry from organic search. Over 17,700 people reached out for help during financial year 2024.

It was also very encouraging to see a 39% increase in positive client reviews received, including over 220 5-star Google reviews. We have firmly established our expert voice in national media, with a new chapter added to the AFL Relationships Report in Q1 and over 155 mentions by key media across financial year 2024 including a 500% increase in commentary requests from the ABC.

Our immediate and current task is the bedding in of our most recent acquisition including the new armstronglegal.com.au website with all its potential upside. We are at the early stages of exploring growth opportunities across our two newly acquired areas of law and anticipate movement here well before the end of financial year 2025. Our overall growth plan remains very much as previously. We will continue to deliver upon our growth strategy throughout 2025 and beyond, focused on profitable revenue growth, through our continued commitment to our highly valued team members and through the provision of an exceptional client experience.

As I've said many times before, both internally to our fantastic and committed team members, and also externally to our shareholders and stakeholders, the best is yet to come for the AF Legal Group.

Let's now turn our attention to our Q1 FY25 results snapshot included in our presentation.

-ENDS-

This announcement was authorised for release by AFL's Board of Directors.

For any questions, please contact:

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