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AF Legal Group consolidating half-yearly Revenue and Profit growth H1 FY25

- Normalised NPBT attributable to owners of AF Legal Group of $0.6 million (72% of full year FY24) delivered 10% growth on prior corresponding period (pcp) and more than double compared to H2 FY24 at $0.3 million
- Revenue growth of 19% on pcp, with H1 average weekly revenue of $489k per week. Q2 FY25 at $494k represented another new high for this important KPI
- Armstrong Legal Criminal Law (ACL) and Family Law (ALFL) teams were acquired on 28 October 2024, delivering an anticipated cost neutral impact in their first partial quarter (Q2), however, represents strong upside for H2 FY25
- Operating Cash inflow for H1 FY25 of $3.0 million up $0.9m on pcp, driven by strong revenue growth and a $0.9m reduction in Trade and other receivables from FY24

Table 1: Financial Performance H1 FY25 and prior financial years

$'000	H1 FY25	FY24	H2 FY24	H1 FY24	FY23	FY22	FY21
Revenue*	**12,706**	**21,661**	**10,951**	**10,710**	**18,881**	**16,983**	**11,009**
Average Weekly Revenue [AWR] (excl. disbursements)	**489**	**417**	**421**	**412**	**363**	**327**	**212**
AWR Growth on prior period	*16%*	*15%*	*2%*	*7%*			
AWR Growth on pcp	*19%*		*9%*	*21%*			
NPBT	**635**	**1,476**	**483**	**993**	**(7,556)**	**295**	**(495)**
NPBT attributable to the owners of AF Legal Group Limited	**207**	**607**	**97**	**510**	**(8,256)**	**(43)**	**(495)**
Normalisation adjustments**	447	174	174		8,415	31	584
Normalised NPBT	**1,082**	**1,650**	**657**	**993**	**859**	**326**	**89**
Normalised NPBT attributable to the owners of AF Legal Group Limited	**561**	**781**	**271**	**510**	**159**	**(13)**	**89**

** H2 FY24 Revenue and AWR figures exclude any "other income" that has been normalised. Revenue numbers exclude disbursements. Remaining profit numbers factor in total revenue without exclusions.*

***Normalisation adjustments practice (since FY23), now excludes any previous normalising of share-based payments.*

Profitability & Revenue

The Board is pleased with the further growth in quarterly and half-year revenue and continuing profitability growth in H1 FY25. We saw a new half-year record Revenue of $12.7 million and highest Normalised NPBT attributable to the owners of the AF Legal Group Ltd of $0.6 million since commencement of the new management team.

Half-yearly Group Revenue at $12.7 million was assisted by $0.4 million of Revenue from the second Armstrong Legal acquisition teams. Without this acquisition, Group Revenue would have seen a positive 13% ($1.4 million) increase compared to prior half-year period and 15% ($1.6 million) on pcp. Average Weekly Revenue for H1 was $489k per week, a new high for our organisation (H2 FY24 $421k, FY24 $417k and pcp $412k).

Other strong revenue performances were delivered by AFL Withnalls, Watts McCray and AF Legal (Gold Coast).

The second half of H1 FY25 saw normalised adjustments of $0.447 million, primarily relating to the second Armstrong Legal acquisition and prior periods' related legal defence fees which adversely impacted our results. These have been adjusted into our Normalised NPBT attributable to the owners of the Group result.

Business acquisition costs – ACL & ALFL	$0.137 million
Legal defence fees	$0.310 million
Total Normalising Adjustments	**$0.447 million**

Legal defence fees relate to engagement of lawyers to defend a formal proceeding and an industry regulator investigation. Both matters are at discovery stage, with no certainty on possible liability. The matters date back to 2022 and 2021 respectively. Discussions with insurers regarding coverage is ongoing at the time of writing. Regardless, the company has decided to be conservative in its approach and expense incurred legal fees during the half year in the H1 FY25 accounts.

Despite the above, the growth in Normalised NPBT attributable to the owners of the AF Legal Group Ltd of $0.6 million is a sign that our strong focus on steady profitable growth is working.

H1 FY25 Normalised NPBT attributable to the owners of the AF Legal Group Ltd are double H2 FY24 result and a 10% improvement on pcp.

AF Legal Group CEO Chris McFadden said, "it is pleasing to see our positive trends continuing with record revenue levels and continued strengthening of our bottom-line profitability.

That aside, our Armstrong Legal acquisitions have provided us with a positive impetus and early calendar 2025 trends have seen a further strengthening such that we have now appointed our first criminal lawyer outside of NSW as a first step in a geographical expansion for this division which we plan to see us represented in VIC, QLD, ACT, WA and NSW by year's end.

Similarly, our Contested Wills & Estates division is growing and we anticipate a 30% plus expansion in this team across its existing practices across the second half as we staff up to meet the workflow.

Accordingly, we currently expect that H2 FY25 should deliver a stronger underlying profit result than H1 on the back of this expansion along with the first full half year contribution from the Armstrong Legal Criminal team."

Other Achievements

As expected, the growth impact of the second Armstrong Legal acquisition deal was minimal during the first couple of months, whilst we successfully migrated the new Team, new Website and system and procedures. We are optimistic for H2 FY25, which has seen the number of January 2025 ACL new files opened at double the November and December monthly average. In addition, we are commencing our interstate recruitment drive for more Criminal Lawyers on the back of strong Armstrong Legal Website lead generation nationally.

The Marketing team has further developed the Watts McCray website to improve digital lead generation for the team, with January showing a 30% increase in the number of files opened each week compared to two months ago and 70% more digital new files opened than the same time January 2024.

This half-year we undertook our second Great Place to Work survey which saw our approval % rise from 53% to 84% and allow us to promote that we are in fact a "Great Place to Work". Whilst it is difficult to truly calculate the tangible impact of this, we have noticed that there are more lawyers available to discuss the various opportunities to work with us. With recent appointments in ACT, NT and VIC, and strong opportunities for WA and Watts McCray.

Our investment in the "Millie" short film about family turmoil and parental conflict as seen through the eyes of 10-year-old Millie will see the film released in H2 FY25. We see this as an exciting PR opportunity for further national and international exposure of our national practice.

At the end of H1 FY25, the Group signed contracts for replacement new practice and document management systems providers as part of Project Titan. These new systems will ensure the Group provides its employees with the necessary modern-day tools, including AI, to reduce time spent on low value work and more time on quality client service and advice. The implementation project commenced in February 2025 and will last 10 to 14 months depending on customisations.

Balance Sheet

The changes in the balance sheet during H1 FY25 reflect two main activities for our business. Firstly, the second Armstrong Legal acquisition (including ACL and ALFL teams, their associated entitlements, its Brand and Website and Goodwill), and then the ongoing improvements in debtors' control and cashflow management.

The total acquisition and completion payment price of $2.48 million was mostly funded from borrowings via the NAB Financial Facility resulting in total facility borrowings for the Group of $6.0 million. Assets included $1.7 million in Goodwill, $0.9 million in indefinite intangibles representing the Brand and Armstrong Legal Website and other employee entitlements and $0.3 million of combined WIP and Debtors. This deal was different to the first Armstrong Legal acquisition of the ACWE team, where the majority of the assets were made up of large Client WIP and Debtors balances and a modest Goodwill component. The difference in Goodwill between the two deals is due to the nature of how the different practices run their client matters and can bill for their work, with the ACWE billing mostly at the end of the matter compared to ACL that can bill monthly.

The business continued its robust management of the collection of trade receivables. Direct debit instalment plans were introduced to better manage such payment arrangements.

Cash Flow

Our Cash Flow similarly reflects the impact of the second Armstrong Legal acquisition with an outflow in Investing Activities for the cash purchase price and an inflow in Financing Activities largely relating to cash borrowings.

We are pleased with the strong inflow of Operating Cash for H1 FY25 of $3.0 million reflecting the increase in Revenue and strong cash collections. It is worth mentioning that our cashflow remains sensitive to billing and collections timing issues, which will improve as we build scale and the level of revenue increases.

Other cash Investing Activities relate to the settlement of Deferred Consideration payments including the first of two earn out payments of $375k for the ACWE team to GTC (first Armstrong Legal deal) and the third and final earn out payment of $250k relating to the AFL Kordos deal.

Finally, other Financing Activity outflows include securing a new lease in Sydney CBD to house the new Armstrong Legal Teams

This announcement was approved for release to the ASX by AFL's Board of Directors.

-ENDS-

For any questions, please contact:

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