

11 March 2021

Market Announcements Office
Australian Securities Exchange
Level 5, 20 Bridge Street
Sydney NSW 2000

Australian Family Lawyers enters into a heads of agreement to merge with leading NSW Law Firm Watts McCray

The board of AF Legal Group Ltd (**ASX: AFL**) (**Company** or **AFL**) is pleased to announce that it has today signed a binding heads of agreement to merge with and acquire 100% of the shares of Watts McCray (NSW) Pty Ltd (**Watts McCray**).

Watts McCray is recognised as one of Australia's leading family law firms. It has provided Family Law legal services to clients in New South Wales, across Australia and internationally, for over 40 years. It has five locations across Greater Sydney and the Australian Capital Territory including Sydney, Parramatta, Northern Beaches, Norwest Business Park and Canberra and also owns the domain name "divorce.com.au". Watts McCray is known to have some of the markets leading and most respected lawyers and was recently named the Global 100 awards winner for "Family Mediation Law Firm of the Year 2021 – Australia". Watts McCray has historically serviced over 1,000 clients each year and generated \$6m in revenue per annum.

Grant Dearlove Executive Chairman of AFL commented, "We are excited to merge with the Watts McCray team. NSW is the largest legal market in Australia for Family Law underpinned by population and asset values. This merger with one of Australia's most recognised family law firms is a significant step in our growth strategy and expands our national footprint to 3 new locations in Australia's largest region. We will combine our innovative client acquisition model and NewLaw practice with the pedigree, brand, and legal power of Watts McCray to accelerate our growth. This merger also expands our combined offering to a new more 'affluent' segment of the legal market such as wealthy complex large estate and asset disputes for clients locally and around the globe."

Jackie Vincent Managing Director of Watts McCray commented, "We have observed how successfully AFL has disrupted the family law market and grown its national footprint since listing on the ASX. Our team shares the same strategic vision for the family law market both in Australia and internationally. We believe that that our merged businesses will accelerate the growth of the combined businesses and offer Australians more ways to retain and receive the best family law service possible. This is an exciting period for both businesses, our clients and our staff".

The targeted completion date for the transaction, which is subject to the completion of due diligence by the Company, is April 2021. The transaction is expected to be earnings accretive for the Company and will result in a change in the Company's scale of its activities.

The consideration to be paid to the vendors of Watts McCray for 100% of its shares includes \$0.375m in upfront share consideration and \$1.125m in deferred share consideration. The deferred share consideration will be paid in three annual instalments subject to minimum performance conditions at the completion of the financial periods ending 30 June 2021, 30 June 2022 and 30 June 2023. As part

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of the transaction, the Company will absorb an existing debt facility of \$1.500m. The Company intends to extinguish that facility on completion with a combination of existing cash reserves and the proceeds from the entitlement offer as announced by the Company on 18 February 2020. The transaction will otherwise be completed on a cash free and debt free basis.

Grant Dearlove Executive Chairman of AFL commented "The individual vendors of Watts McCray will continue to work in the business in their existing capacity and also work closely with the Board to grow the national platform. Their election to accept their transaction consideration in shares in the Company is symbolic of their desire and motivation to grow the combined business for the benefit and alignment of all shareholders".

The Company will provide an update to the market once completion occurs.

The board of AFL has approved this announcement.

For any questions, please contact the undersigned on +61 2 8272 1400.

Yours faithfully



Maggie Niewidok
Company Secretary

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