

ASX ANNOUNCEMENT

Acumentis Group Limited (ASX: ACU)



24 October 2022

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By E-Lodgement

QUARTERLY ACTIVITY REPORT (APPENDIX 4C)

Acumentis Group Limited (“Acumentis” or “the Company”) is pleased to release its Quarterly Activity Report and associated Appendix 4C (Quarterly Cash Flow Report) for the quarter ended 30 September 2022 to the market.

Highlights

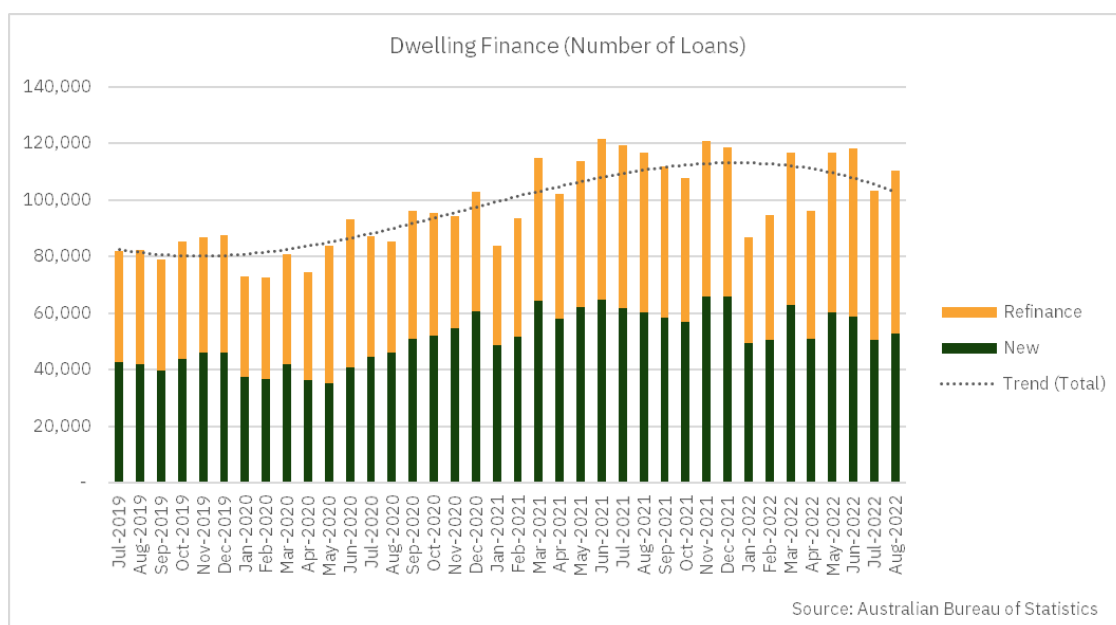
Acumentis has maintained revenues despite a significant market slowdown as interest rates tighten.

Highlights:

- Quarterly revenues of \$13.9M achieved with a year on year increase of 2%
- Revenues from corporate & private clients up 5% for the quarter
- \$0.5M reduction in operating expenses compared to previous quarter
- Future savings in professional indemnity insurance to be delivered from October 2022
- Positive operating cashflows for second consecutive quarter despite restructuring costs and a softening market as interest rates are tightened

Overview of Acumentis’ operating environment

The economy remains under strong inflationary pressures with the Reserve Bank responding with multiple large increases in interest rates which has resulted in a significant reduction in property transaction volumes, particularly in the residential markets.





With uncertainty over property pricing corrections as well as the likely extent of further interest rate rises, we did not see an offsetting increase in valuation instructions arising from re-financing in the September quarter. Based on previous market cycles, we would expect an upswing in re-financing instructions in the coming months.

Acumentis experienced an 11% decrease in fees from financial institutions via the ValEx panel management platform from the previous quarter. This compares to an industry wide decrease in overall instructions from financial institutions (via ValEx) of circa 34% from their peak in mid-2021 and a circa 16% drop from June 2022 to September 2022. Acumentis has avoided this level of decline in fees from financial institutions due to continued growth via acquisitions and organic expansion.

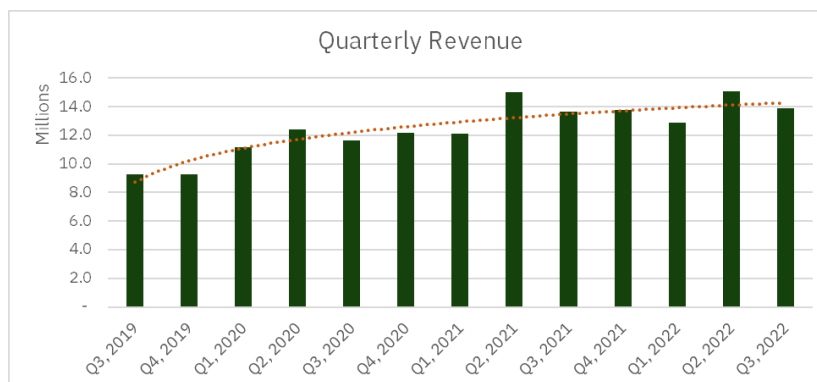
Revenues from corporate and private clients increased 5% for the quarter reflecting Acumentis' continued focus on developing these alternative sources of revenues and reducing reliance on mortgage valuations.

Business Activities for the Quarter

The business activities of the Company remained unchanged during the quarter to September 2022.

Revenues

Revenues for the September 2022 quarter were \$13.9M compared to \$13.6M for the September 2021 quarter and \$15.1M for the June 2022 quarter. The June quarter each year is a cyclical high point with demand for our services peaking in line with the tax year end. Whilst quarterly revenues fell compared to the prior quarter, the trend growth remains positive.



Market conditions are expected to continue to be challenging for at least the balance of calendar 2022 whilst global economic uncertainties continue and the interest rate tighten cycle peaks. The heightened potential for global and local recession in calendar 2023 is likely to continue to adversely impact market sentiment and demand for our services.

The executive team continues to undertake business development activities to drive growth into areas which attract greater activity and earnings potential.

Operating Expenses

Employment costs for the quarter were \$0.2M lower than the previous quarter reflecting the restructuring undertaken over this period to address underperforming divisions.

Other operating expenses were \$0.3M lower than the previous quarter.

With the migration of IT&T managed service provider now complete, we are starting to see a reduction in ongoing costs in this area which will continue and grow through the balance of FY23.

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We have recently renewed our professional indemnity insurance which will see an annual reduction in premium of approximately \$0.3M commencing in October 2022.

The executive team continues to focus on delivering efficiencies which, in conjunction with revenue growth, will drive improvements in profitability.

Closing cash and facilities

At 30 September 2022, the business had cash balances of \$0.4M and access to an unused overdraft facility of \$2.1M.

During the quarter a further \$0.2M was repaid on the term loan which now has a balance of \$2.0M.

Payments to Associates (refer section 6 of Appendix 4C)

During the current quarter, directors' fees totalling \$74,864 were paid to non-executive directors of the Company in line with their employment contracts.

By order of the Board.

John Wise

Company Secretary

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About Acumentis

Acumentis is entrusted to provide commercial and residential valuations, research and property advice to many thousands of homeowners, investors, developers and lenders. The company offers property valuation, insurance valuation and advisory services to clients including major banks and financial institutions, property developers, property trusts, government, lawyers, accountants, real estate agents and major and independent retailers. With 40 offices and more than 300 staff in metropolitan and regional locations around the country, Acumentis is Australia's only independent, locally owned, ASX-listed property valuation company.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Acumentis Group Limited (ASX: ACU)

ABN

50 102 320 329

Quarter ended ("current quarter")

September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,771	15,771
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	(430)	(430)
(e) staff costs	(10,595)	(10,595)
(f) administration and corporate costs	(3,817)	(3,817)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(85)	(85)
1.6 Income taxes received / (paid)	(11)	(11)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- GST paid	(696)	(696)
- Sub-lease rental income	89	89
- Other	-	-
1.9 Net cash from / (used in) operating activities	229	229

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) Entities (including deferred consideration)	(203)	(203)
	(b) businesses	-	-
	(c) property, plant and equipment	(284)	(284)
	(d) investments (term-deposits net change)	19	19
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(468)	(468)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(227)	(227)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(227)	(227)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	856	856
4.2	Net cash from / (used in) operating activities (item 1.9 above)	229	229
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(468)	(468)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(227)	(227)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	390	390

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	390	856
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	390	856

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	75
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Directors' fees paid.</p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	2,000	2,000
7.2	Credit standby arrangements	2,100	-
7.3	Other (provide details)	-	-
7.4	Total financing facilities	4,100	2,000
7.5	Unused financing facilities available at quarter end		2,100
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p>Loan facilities</p> <p>Commercial loan facility from Westpac Bank Limited secured with fixed and floating charge over the assets and business of Acumentis and carrying interest at BBSY + 2.35% (currently 4.58%). In addition to interest, a 1% line fee is charged.</p> <p>The loan is amortised at \$75,000 per month and is subject to annual review with the next review due on 30 September 2023.</p> <p>Credit standby arrangements</p> <p>Commercial overdraft facility from Westpac Bank Limited secured with fixed and floating charge over the assets and business of Acumentis and carrying interest at the banks overdraft business rate (currently 7.79%). In addition to interest, a 1% line fee is charged.</p> <p>There is no maturity date for the commercial overdraft facility, however it is subject to annual review with the next review due on 30 September 2023.</p> </div>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	229
8.2	Cash and cash equivalents at quarter end (item 4.6)	390
8.3	Unused finance facilities available at quarter end (item 7.5)	2,100
8.4	Total available funding (item 8.2 + item 8.3)	2,490
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	<div style="border: 1px solid black; height: 30px; margin-top: 5px;"></div>	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	<div style="border: 1px solid black; height: 30px; margin-top: 5px;"></div>	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
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<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 24 October 2022

Authorised by: By the Board

(name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.