



ASX Announcement 25 July 2024

Income Asset Management (ASX:IAM) (IAM or Group)

Q4 FY2024 Quarterly Activities Report

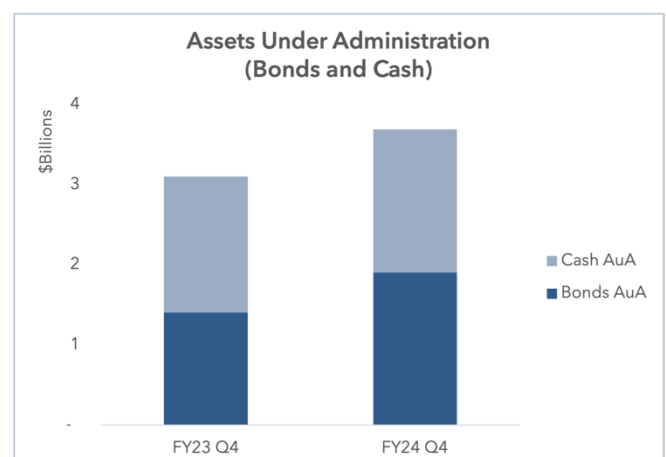
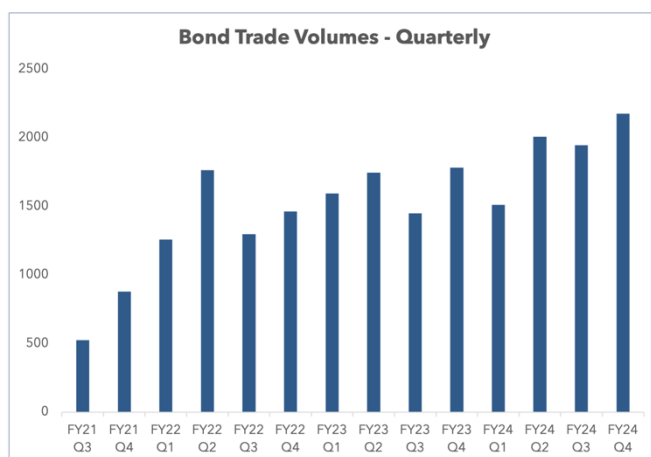
IAM announces operating revenue of \$4.01m for Q4 FY2024 up 4% on the previous quarter with total AuA/FuA of \$3.69bn and total clients of 2,153 as at June 2024.

Key financial highlights:

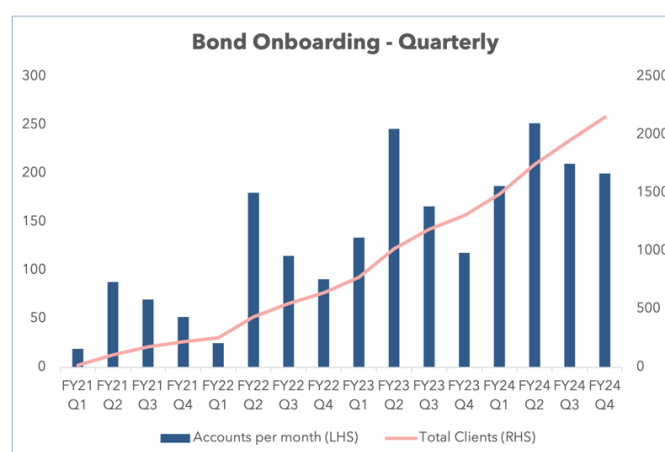
- Operating revenue of \$4.01m increased 4% from Q3 FY2024 and 29% from Q4 FY2023.
- Pleasingly each of **cash, secondary trading and primary placements increased** versus both the previous quarter and Q4 FY2023. Our investment in distribution capability and favourable market conditions places IAM well to grow the current \$16m per annum revenue run-rate.
- We have generated **\$490k in newly introduced custody fees in FY2024**.
- In Q4 there was a one-off expense of \$785k for the addition of client facing (revenue writing) staff and a further \$195k in share based payments to remodel the incentives plan.
- **Total cash at the end Q4 FY2024 is \$4.7m.**
- **Total AuA/FuA at the end of Q4 FY2024 is \$3.69bn.** This consists of:
 - Capital Markets FuA of \$1.91bn, up 10% on the previous quarter and 35% YoY
 - Cash AuA of \$1.79bn up 7% on the previous quarter and 6% YoY
 - Note: IAM uses FuA for Capital Markets and AuA for Cash Markets.
- **Client numbers grew 10% on the previous quarter and 65% YoY.**
- Growth in client numbers and AuA/FuA continues to benefit from our investment in **additional fixed income sales staff during the year and our partnerships with key investment platforms.** IAM has previously announced agreements with; Netwealth, Wilsons Advisory, ANZ Private Bank, Shaw and Partners, and HUB24 and has been able to allocate highly experienced specific staff to each business to grow the primary and secondary distribution of bonds and loans through these channels.
- **Global Credit Opportunities Fund (GCOF) was sold in the quarter to complete the exit from Funds Management incubation.** IAM received a \$100k upfront payment and will record a book loss of circa \$345k on the sale, but will benefit from circa \$460k in cost savings per annum from exiting the business.

Key operational highlights:

- **IAM continues to grow its trading activity noting the seasonal trends. The growth in Capital Markets FuA** has been pleasing with trading volumes and revenue through secondary trading continuing to grow as a percentage of total trading activity. The loan market is providing a new source of high-quality secondary market opportunities supplementing traditional bond trading. IAM's ability to access the loan market has materially increased the pipeline of secondary opportunities, with investors benefiting from institutionally priced high yielding assets. We expect to continue this thematic through FY2025 with a larger weighting of trading activity to come from secondary market opportunities in the syndicated loan market.
- **Secondary trading revenue has increased 15% Q3 FY2024 to Q4 FY2024.** Our revenue from secondary trading continues to increase with the growth in FuA, as more assets transacting at a fair margin delivers consistent revenue.

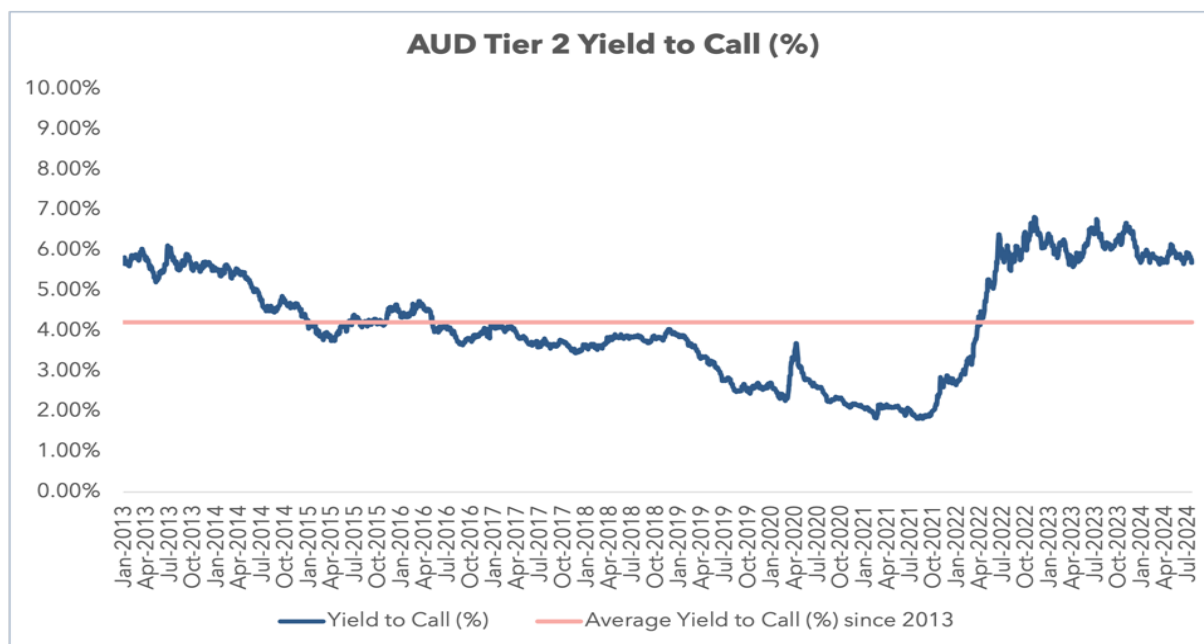


- **Client numbers increased 10% from Q3 FY2024 to Q4 FY2024, or 65% YOY to reach 2,153.** New wholesale clients add more FuA in bonds and loans, trading activity, custody fees and referrals.



- **Market conditions** were largely favourable for bond and loan investments over the quarter with an expected delay in RBA rate cuts lifting yields at the start of the quarter before yields stabilised towards mid-year as offshore central banks cautiously begin to ease monetary policy. Credit spreads were generally stable-to-lower as the economic outlook remains more constructive than some earlier fears.
- The combination of stable-to-higher yields and stable-to-lower credit spreads has provided a **favourable environment for bond and loan investors** with yields above 6% available for investment grade bank and corporate debt issues. In particular, we have seen strong ongoing demand for Tier 2 Subordinated Bank Debt, which **offer the highest rates available in the last 10 years**.

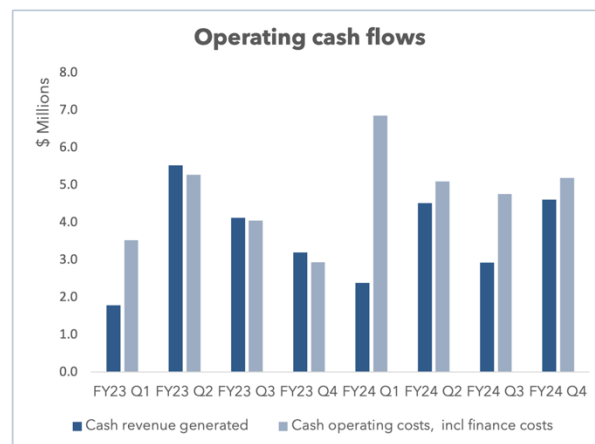
IAM benefiting from higher rates and more activity



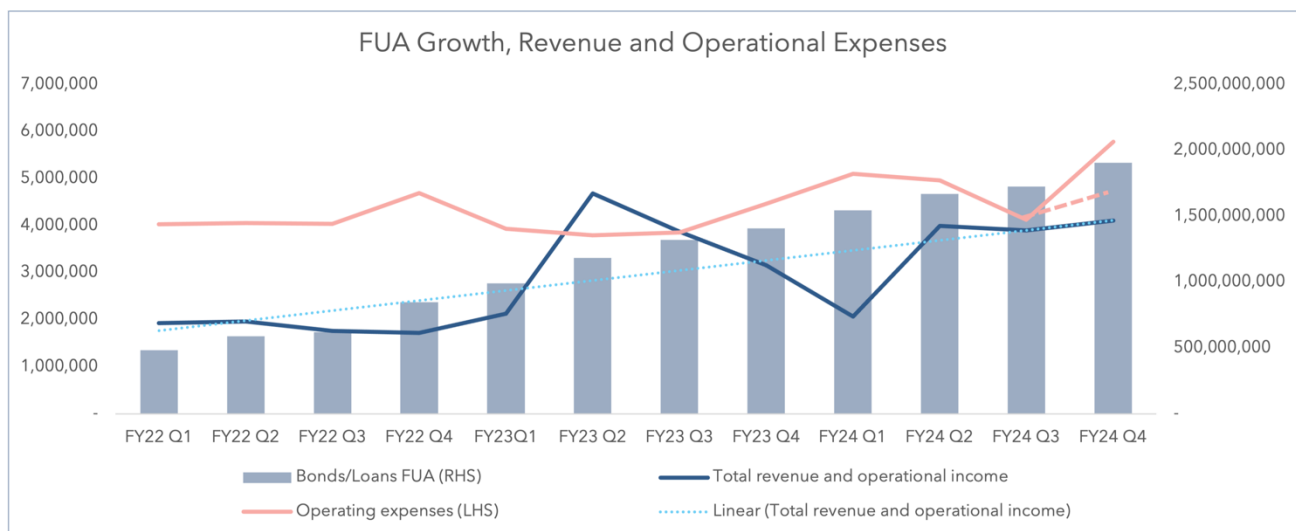
Key cash flow highlights

- IAM's total cash at the end of Q4 FY2024 is \$4.7m.
 - Total cash receipts from customers and interest earned was \$4.6m in Q4 FY2024.
 - Total cash operating outflows and finance costs were \$4.9m in Q4 FY2024.

- With a closing cash balance of \$4.7m and **total funding available of \$10.2m**, we have an estimated **17 quarters of funding available** in accordance with Section 8 of the attached Appendix 4C.



- In Q4 there was a one-off expense of \$785k for the addition of client facing (revenue writing) staff and a further \$195k in share based payments to remodel the incentives plan.
- The normalised operating expenses excluding the one-offs are represented by the pink dotted line in the graph below.



CEO Commentary:



Jon Lechte said, “This is a particularly important moment in the Group as we move to more reliable and growing income from transacting secondary bonds, sourced from a wide range of connections we have built globally. Our model does not rely on “churning” client positions and charging fees for no service, we offer high grade assets at market prices to our clients. Exiting GCOF means we can focus on our core Capital Markets business and growing our clients and FuA. Our fair and transparent pricing per client is allowing us to be highly competitive which means our market growth is truly unique. Our client growth required more client-facing staff, we have added enough for now and these new recruits are now settled and adding to the bottom line. As more alliances start to ramp up we will monitor our service delivery to ensure a first class experience for our partners and their clients.”

RELATED-PARTY TRANSACTIONS

With reference to payments to related parties (Section 6 of the attached Appendix 4C), item 1 comprises payments to related parties and their associates, including directors and key management personnel, and includes directors’ fees of \$113,880, salaries (including superannuation) of \$81,850, and interest on issued notes of \$16,500.

Items to note:

All FY2024 numbers are unaudited.

This announcement was approved for release by the IAM Board of Directors.

For more information, please contact:

Jon Lechte, CEO

E: info@incomeam.com

W: incomeam.com

Income Asset Management Group Limited ACN 010 653 862;

IAM Capital Markets Limited ACN 111 273 048 | AFSL 283119;

IAM Cash Markets Pty Ltd ACN 164 806 357 corporate authorised representative (no. 001295506) of AFSL 283119;

Trustees Australia Limited ACN 010 579 058 | AFSL 260038; and,

IAM Funds Pty Ltd ACN 643 600 088 corporate authorised representative of (no. 001296921) of AFSL 260038;

ETB Pty Ltd ACN 670 409 462 corporate authorised representative (no. 001305688) of AFSL 260038.

Appendix 4C

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

Name of entity

Income Asset Management Group Limited

ABN

42 010 653 862

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1.1	Receipts from customers – brokerage and fees	2,701	7,702
1.1.2	Receipts from customers – securities trading	1,889	6,209
1.1.3	Net in/(out)flows for settlement of financial instruments held on balance sheet	(259)	(270)
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,220)	(4,331)
	(c) advertising and marketing	(66)	(298)
	(d) leased assets	(27)	(76)
	(e) staff costs	(3,033)	(11,151)
	(f) administration and corporate costs	(227)	(3,984)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	23	174
1.5	Interest and other costs of finance paid	(363)	(1,437)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(582)	(7,462)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(g) entities	-	-
	(h) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(i) property, plant and equipment	(14)	(75)
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	(12)	(1)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	100	100
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to related party	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	74	24

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,000
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 securities or convertible debt securities	-	(261)
3.5	Proceeds from borrowings	676	377
3.6	Repayment of borrowings	(77)	(217)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – payment for derivative financial assets	(560)	(560)
3.9	Other – repayments of lease principal	(156)	(606)
3.10	Net cash from / (used in) financing activities	(117)	2,733

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	5,280	9,279
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(582)	(7,462)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	74	24
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(117)	2,733
4.5	Effect of movement in exchange rates on cash held	66	147
4.6	Cash and cash equivalents at end of period	4,721	4,721

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	4,721	5,280
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)	4,721	5,280

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	(212)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<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>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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 facility	1,000	560
7.2	Credit standby arrangements	-	-
7.3.1	Other – Issued notes	10,000	10,000
7.3.2	Other – bond trading settlement (DVP) facility	5,000	-
7.3.3	Other – Insurance funding	87	87
7.3.4	Other – Supplier funding	16	16
7.4	Total financing facilities	16,103	10,663
7.5	Unused financing facilities available at quarter end		5,440
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> <p>7.1 Third Return Investments Pty Ltd – Unsecured facility used to purchase inventory or facilitate settlements for the Capital Markets business. Interest rate of 6% and drawn amount was repaid 3 July 2024.</p> <p>7.3.1 Issued notes – Unsecured facility. Interest rate of 12% and repayment date of 4 November 2025.</p> <p>7.3.2 Bond trading settlement (DVP) facility – Secured over the traded securities. Interest rate of 5%, settled up to T+5.</p> <p>7.3.3 Hunter Premium Funding – Unsecured facility. Interest rate of 4.96% and repayment date of February 2025.</p> <p>7.3.4 BidFin Capital – Unsecured facility. Interest rate of 6.7% and repayment date of July 2024</p> <p>.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(582)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,721
8.3	Unused finance facilities available at quarter end (item 7.5)	5,440
8.4	Total available funding (item 8.2 + item 8.3)	10,161
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	17.46
	<p><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></p>	
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer:</p>	

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?

Answer:

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?

Answer:

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.

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: 25 July 2024

Authorised by: The Board of Directors

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.