

## ASX ANNOUNCEMENT

28 APRIL 2017

# **Ausnet experiences stellar March quarter and Year on Year organic growth for “The Agency” in Western Australia**

## **Foundation established for significant Australia-wide growth**

### **The Agency – Highlights**

#### **Organic Growth**

- Since start of financial year 100% owned subsidiary ‘The Agency’ has sold a total of 246 properties worth approx. \$162.1m for the nine months in Western Australia,
- Year on Year Agency Sales revenues increase 330% to \$3.31m.
- Year on Year Group revenues to end of March up 148% to \$7.9m.
- Year on Year number of Settlements on last financial are up 480%
- Year on Year increase of dollar value of properties sold up 371%
- In March Quarter 2017 ‘The Agency’ achieved 106 sales worth approx. \$64m in Western Australia, a rise in settlement numbers of 41% on previous quarter.

Referral rates to Settlement Agency, Mortgage brokering is over 100% of budget and from Mortgage Broking to financial planning and general insurance is over 100% as well.

#### **Acquisition Growth**

- Ausnet recently acquired market leading inner city Western Australian real estate agency Beaufort Realty,
- Beaufort Realty acquisition which settled in early April will have :
  - 432 properties under management with revenues of approximately \$950,000
  - Approximately 100 sales delivering \$1m of sales revenues
  - reducing working capital requirements
- Ausnet has gained immediate access to the eastern Australian real estate market, entering into a Licence Agreement and Option to acquire Top Level Real Estate Pty Ltd
- Since February 2017 Top Level Real Estate, operating under licence as ‘The Agency’, has sold 33 properties, valued at approx. \$106.7M, and secured 57 agents, and

- Consideration payable by Ausnet should it exercise its Option to acquire Top Level Real Estate Pty Ltd is directly linked to EBIT, Gross commission income and agent numbers.

Ausnet Financial Services Limited (ASX: AU1) (“Ausnet” or “the Company”) has achieved outstanding results within its Western Australian business during its first reported full quarter. The results provide the foundation for national growth of its disruptive real estate agency model “The Agency” and the local, then national, roll-out of its referral based Value Partner Program.

### **Western Australian results**

	Number of Listings	Settlements	Settlement Value
<b>Total for year 2015/16</b>	<b>307</b>	<b>99</b>	<b>\$75,888,500</b>
Q1 2016	100	65	\$44,202,380
Q2 2016	159	75	\$53,928,500
Q3 2017	193	106	\$64,011,030
<b>Total year to date</b>	<b>452</b>	<b>246</b>	<b>\$162,141,910</b>

Commenting on the results achieved during Q3 2017 Ausnet Managing Director, Mr Paul Niardone said, “We are attracting high-quality agents to ‘The Agency’, which has resulted in significant increases in listings, settlements and total settlement values.”

Mr Niardone believes the recent acquisition of leading inner city Western Australian real estate agency Beaufort Realty will further enhance the growth ambitions of ‘The Agency’ in WA, in both the real estate business and the property management businesses.

“Our unique real estate model, along with our financial services business is now attracting significant interest from both the West and East Coast, as can be seen from the Top Level transaction and current growth which will make our brand in this market and give us a strong foundation for national growth,” he said.

### **Top Level Real Estate Pty Ltd Acquisition**

In January 2017 Ausnet announced it had entered into Licence Agreement and Option to acquire fast growing eastern seaboard real estate business Top Level Real Estate Pty Ltd (“Top Level”) (refer ASX announcement dated 31 January 2017).

Under the Licence Agreement, Top Level will have rights to use ‘The Agency’ brand and intellectual property on the East Coast of Australia, while Ausnet will retain an Option to acquire Top Level within the next 12 months.

Since February 2017 Top Level Real Estate, operating under licence as 'The Agency', has sold 33 properties, valued at approx. \$106.7m, and secured 57 agents.

	Number of Listings	Settlements	Settlement Value
<b>Accumulative (2 months Feb to Mar)</b>	<b>47</b>	<b>33</b>	<b>\$106,690,000</b>

Importantly, the consideration payable by Ausnet should it exercise its Option to acquire Top Level is directly linked to EBIT, Gross commission income and agent numbers, as per the below:

	<b>Tranche 1 Ordinary Shares</b>	<b>Tranche 2 Performance Shares</b>	<b>Tranche 3 Performance Shares</b>
<b>Approx. total number of Ausnet Shares (m)</b>	366	300	300
<b>Timing</b>	Upon settlement of acquisition of Top Level	Upon finalisation of 2018 accounts	Upon Finalisation of 2019 accounts
<b>Performance Hurdles (weighting)</b>			
<b>(50%) - EBIT</b>		\$7,000,000	\$10,000,000
<b>(30%) - Gross Commission Income</b>		\$70,000,000	\$80,000,000
<b>(20%) - Total Sales Agents</b>		85	100

“The EBIT multiples, of between 6 times and 6.5 times, is well below those of comparable ASX listed companies,” said Mr Niardone.

“In addition, the quality of the team and their networks is immeasurable,” he added.

Top Level has assembled an exciting team of senior real estate executives, recognised as some of the most respected names in the east coast real estate market, including:

- Matt Lahood (CEO)
- Steven Chen (Director of Projects)
- Maria Carlino (Director of Property Management)
- Thomas McGlynn (Director of Sales and Chief Auctioneer)
- Ben Collier (Property Partner)
- Shad Hassen (Property Partner)

Subject to completion of two non-binding agreements by 30 June 2017, Top Level will expand by a further 33 agents, this will achieve the recruitment target of 85 agents by 30 June 2018 by a year.

The acquisitions will also add approximately 3,700 properties under management which will deliver annual revenue of \$6.6m in FY18.

Results to date across its Western Australian business only have seen referral rates achieved more than six times the industry average, which Ausnet believes will continue to improve as access is provided to all key stakeholders within its network and more products and services are added to the platform.

“We expect as ‘The Agency’ business expands, through organic growth and strategic acquisition, the opportunities for our ancillary businesses to drive additional recurring value to the group will only be enhanced,” Mr Niardone concluded.

#### **Appendix 4C Quarterly Report Commentary**

Cash-flows are in line with management budgets for Western Australia, with the rapid growth and national expansion, cash-outflows have increased. The company is well positioned to leverage the opportunities and growth that is presenting itself, with expected cash-outflows likely to increase in the next quarter. Additional costs have been forecast for the next quarter to account for a new and larger office premises as the current premises are no longer suitable due to our growth. The national expansion will incur additional costs in the following areas; legal, national marketing and branding and research & development (Work Hub and Value Partner Program).

For more information, please contact:

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#### **About Ausnet**

Ausnet consists of a group of successful businesses which deliver finance broking, real estate services, settlement services, property management, project marketing, insurance and financial planning initially to the Western Australian market with an aim to be rolled out nationally.

This model has been created to build the core asset being a loan book currently at ~\$1.1 billion by cross referring clients between business units. The largest growing referral area has been built on a highly successful and disruptive real estate agency model named “The Agency”.



Ausnet is aiming to recruit ~100 sales representatives to “The Agency” in Western Australia that will eventually deliver over 1000 property transactions per year with the aim of converting into cross sales for mortgages, settlements and insurance. Each sales representative that joins Ausnet not only adds sales activities but also on average bring in a database of ~2000 clients. Ausnet’s target is to have ~600 sales representatives nationally.

The Company is also backed by Finsure Group, one of Australia's fastest growing retail finance brokerages writing over \$1 billion in new mortgages every month across 850 brokers.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Ausnet Financial Services Limited

**ABN**

52 118 913 232

**Quarter ended ("current quarter")**

31 March 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months)<sup>1</sup> \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,542	3,081
1.2 Payments for		
(a) research and development		-
(b) product manufacturing and operating costs	(2,019)	(2,259)
(c) advertising and marketing	125	(143)
(d) leased assets	(3)	(4)
(e) staff costs	(1,193)	(1,383)
(f) administration and corporate costs	(282)	(466)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(830)</b>	<b>(1,172)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) <sup>1</sup> \$A'000
(d) intellectual property	-	(176)
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other – Cash acquired on acquisition of Ausnet Real Estate Services Pty Ltd	-	412
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	-	<b>236</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	(17)	5,800
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(526)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>(17)</b>	<b>5,265</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	5,759	583
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(830)	(1,172)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	236
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(17)	5,265

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months)<sup>1</sup> \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,912</b>	<b>4,912</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	4,912	5,759
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,912</b>	<b>5,759</b>

<sup>1</sup> PLEASE NOTE: only Includes cash flows from Ausnet Real Estate Services Pty Ltd from the date of acquisition 16<sup>th</sup> December 2016

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	217
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director salary & fees \$202k  
Corporate services \$15k

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	



8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

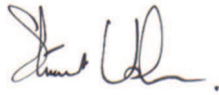
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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(95)
9.2 Product manufacturing and operating costs	(2,100)
9.3 Advertising and marketing	(100)
9.4 Leased assets	
9.5 Staff costs	(1,280)
9.6 Administration and corporate costs	(250)
9.7 Other (Bank Guarantee and Rental deposit)	(450)
<b>9.8 Total estimated cash outflows</b>	<b>(4,275)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	Ausnet Real Estate & Financial Services Pty Ltd	
10.2 Place of incorporation or registration	Perth WA	
10.3 Consideration for acquisition or disposal	\$5,555,860	
10.4 Total net assets	(\$1,430,480)	
10.5 Nature of business	Real Estate & Financial Services	

**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.



Sign here: .....  
Company Secretary

Date: 28 April 2017

Print name: Stuart Usher

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.