



REAL ESTATE  
FINANCE  
SETTLEMENT  
INSURANCE

31 July 2019

## JUNE QUARTER 2019 UPDATE & APPENDIX 4C

### ***STRONG RESULTS – ANNUAL GROUP REVENUE UP 150% Y-O-Y***

#### Highlights

The Agency Group	June Quarter 2019
<b>No. of Agents</b>	<b>272</b>
<b>Listings</b>	<b>800</b>
<b>Gross Commission Income (m)</b>	<b>\$10</b>
<b>No. of Properties Sold</b>	<b>674</b>
<b>Value of Properties Sold (m)</b>	<b>\$600.8</b>
<b>Properties Under Mgmt.</b>	<b>4337</b>
<b>Total Revenue (m) <sup>(1)</sup></b>	<b>\$10.8</b>

1- All revenue figures provided in this report are unaudited.

- Positive cashflow from operating activities of \$44,000
- Combined Total Group Revenue of A\$10.8 million for June Quarter, consistent with March Quarter
- Annual Group revenue has grown 150% year-on-year to \$40 million (FY2018: \$16.2 million)
- Cash receipts of \$13.7 million for June Quarter, up 50% on March Quarter
- Combined Gross Commission Income (GCI) of A\$10 million for June Quarter

#### Corporate (Post-quarter end)

- Funding of \$5.6 million consisting of \$1.1 million via Placement and \$4.5 million via 4:7 Entitlement Offer and conversion of \$5.8 million debt
- Funds raised to strengthen balance sheet with a further \$1.7 million to repay existing loans, \$1.1 million for working capital and \$2.2 million for growth and acquisition initiatives
- Sydney-based boutique investment group Magnolia Capital to become a substantial shareholder with up to a ~18% holding

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THE AGENCY



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- Magnolia Capital Director Mitchell Atkins to join The Agency board as a Non-Executive Director
- Honan Insurance Group to invest and enter into a strategic relationship with The Agency

The Agency Group Australia (ASX:AU1) (“The Agency” or “the Company”) is pleased to report June Quarterly results, a period in which the company continued to defy the persistent real estate market downturn.

For the quarter, the Company reported combined Total Revenue of A\$10.8 million and Gross Commission Income (GCI) of A\$10 million, both results consistent with the previous quarter.

GCI was due to a record 674 exchanges and more than \$600 million worth of property sold across the combined group for the quarter.

Across the combined group, there were 800 new listings, 14% up on the prior period – the previous record.

Property management continues to grow with The Agency reporting a record total of 4,337 PUM for June Quarter 2019, up 29% on PCP. The group continues to explore a number of opportunities to expand its property management portfolio and leverage off its existing scale.

The number of agents operating under the combined group remained relatively steady at 272.

Following the strategic review in April 2019, SLP delivered a strong quarterly performance with GCI of \$1.3 million on back of 138 exchanges and \$65 million of property sold while the number of agents remained at 67 agents.

During the period, The Agency also achieved a number of landmark sales including:

- April: Scott Thornton’s Cremorne conjunction sale at approximately \$8 million
- May: Nic and Kingsley Yates’ Mosman sale at over \$5 million

### Capital Raising

Post quarter-end, the company announced a funding package that would significantly strengthen its balance sheet having received commitments to raise ~A\$1.1 million via a Placement and ~\$4.5 million via a 4:7 Entitlement Offer.

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The Company has also entered into agreements pursuant to which ~\$5.8m in debt will be converted into equity subject to completion of the Placement and the Entitlement Offer and receipt of prior shareholder approval (“Debt-to-Equity Conversion”).

Funds from the transaction (including debt-to-equity conversions) will primarily be used to strengthen the Company balance sheet with ~\$5.8m in existing debt converted to equity as well as a further ~\$1.7 million applied to repayment of existing loans, with \$1.1 million allocated for working capital and \$2.2 million allocated to fund further growth and acquisition initiatives.

As part of the funding, The Agency welcomed new investors who will become shareholders in The Agency.

Sydney-based diversified financial services and property group Magnolia Capital has agreed to an investment of:

- \$600,000 through the Placement by subscription for 9.2 million shares; and
- up to \$2.9 million through the issue of up to 44.6 million shares via a firm commitment to subscribe for a proportional amount of shortfall in the Entitlement Offer.

Subject to completion of the capital raising, Magnolia Capital will hold up to approximately 53.8 million shares in The Agency Group equivalent to a 17.9% interest in the Company based on 301.4 million pro-forma shares outstanding.

Honan Insurance Group has agreed to invest \$500,000 through the Placement by subscription for 7.7 million shares for a 3% interest in the holding, based on 301.6 million pro-forma shares outstanding.

### **Quarterly Cash Flow Commentary**

The Agency Group reported cash receipts of \$13.7 million for the June Quarter, a 50% increase on the March Quarter’s cash receipts of \$6.3 million.

The Agency Group reported \$44,000 net cash from operating activities for the June Quarter as a result of an increase in cash receipts for the period.

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## 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**

The Agency Group Australia Limited

**ABN**

52 118 913 232

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

30 June 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	13,726	34,902
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(7,320)	(23,487)
(c) advertising and marketing	(151)	(526)
(d) leased assets	(4)	(42)
(e) staff costs	(3,207)	(10,048)
(f) administration and corporate costs	(2,513)	(3,799)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(488)	(1,319)
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>44</b>	<b>(4,318)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(134)	(196)
(b) businesses (see item 10)	-	(95)
(c) investments	(90)	(862)
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – Cash acquired on acquisition of businesses	-	270
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(224)</b>	<b>(883)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	8,400
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	-	-
3.5 Proceeds from borrowings	-	250
3.6 Repayment of borrowings	(6)	(1,030)
3.7 Transaction costs related to loans and borrowings	-	(235)
3.8 Dividends paid	-	-
3.9 Other (Share subscriptions received in advance)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(6)</b>	<b>7,385</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</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	3,392	1,022
4.2 Net cash from / (used in) operating activities (item 1.9 above)	44	(4,318)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(224)	(883)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(6)	7,385
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>3,206</b>	<b>3,206</b>

<b>5. 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	3,206	3,392
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,206</b>	<b>3,392</b>

<b>6. 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	90
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 \$90k  
Director fees Nil

<b>7. 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	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	\$12,600	\$12,600
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.		

Lender – Macquarie Bank, facility has a first security, Interest Rate 5.89%

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(50)
9.2 Product manufacturing and operating costs	(7,500)
9.3 Advertising and marketing	(100)
9.4 Leased assets	(6)
9.5 Staff costs	(3,000)
9.6 Administration and corporate costs	(2,350)
9.7 Other (Bank Guarantee and Rental deposit)	-
<b>9.8 Total estimated cash outflows</b>	<b>(13,006)</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Acquisitions</b>
10.1 Name of entity	Beaufort Reality Pty Ltd	Top Level Real Estate Pty Ltd
10.2 Place of incorporation or registration	Perth WA	Sydney, NSW
10.3 Consideration for acquisition or disposal	Last deferred consideration payment on the acquisition that occurred and was reported during the Jun Qtr. 2017	\$10,500,000 (350,000,000 Ordinary Fully Paid Shares issued at \$0.30 per share)
10.4 Total net assets	N/A	(\$10,787,620)
10.5 Nature of business		Real Estate 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: 31 July 2019

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.