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ASX Release
30 January 2020

Positive cashflow and EBITDA for HY20 – Growth continuing

| The Agency Group | 1Q20 | 2Q20 | Increase Q-O-Q | 1H20 |
|-------------------------------------|----------------|----------------|-------------------|----------------|
| Total Revenue (m) | \$11.8 | \$13.4 | +13.6% | \$25.2 |
| Gross Commission Income (m) | \$10.7 | \$14.2 | +33% | \$24.9 |
| No. of Properties Sold | 703 | 888 | +26% | 1,591 |
| Value of Properties Sold (m) | \$632.6 | \$884.4 | +40% | \$1,517 |
| No. of Agents | 272 | 278 | +2.2% | 278 |
| Listings | 883 | 1,072 | +21% | 1955 |
| Properties Under Management | 4,397 | 4,678 | +6.4% | 4,678 |

NOTE: All financial figures including Revenue and EBITDA provided in this announcement may be subject to audit adjustments and changes to incorporate the full adoption of AASB 16 Leases. The Financial Report for the 6 months ended 31 December 2019 is currently undergoing audit review by the Company's auditors.

Key Points

- **Achieved maiden EBITDA positive result, in excess of A\$0.5m EBITDA for HY20;**
- **Positive operational cashflow achieved in HY20;**
- **Combined total Group revenue of A\$25.2m for HY20, up 147% on the previous corresponding period (\$10.2m: HY19);**
- **Record combined gross commission income (GCI) for Dec QTR of \$14.2m and \$24.9m for the HY20;**
- **Cash receipts from customers of \$28.5m for HY20 and \$15.4m for Dec QTR, up 18% on Sept QTR (\$13.1m);**
- **Strong growth across all key operating metrics (recruitment numbers, properties sold, listings, properties under management); and**
- **Cash and cash equivalents at end of December 2019 of \$5.2M.**

The Agency Group Australia (ASX:AU1) (“**The Agency**” or “**the Company**”) continues to be a leader in the Australian real estate industry, achieving strong Half Year 2020 financial and operational results across the combined group.

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The Company recorded strong Combined Total Group Revenue of \$25.2 million for HY20, which is up 147% on the previous corresponding period (HY19: \$10.2 million). This was on the back of positive Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) for the December half year of in excess of \$0.5 million.

Gross Commission Income (**GCI**) for the HY20 was \$24.9 million which already represents 66% of FY19 GCI of \$38 million. The combined group delivered record GCI of \$14.2 million for the December Quarter 2019, a 33% increase on the September Quarter. GCI was due to 1,591 exchanges and more than \$1.5 billion worth of property sold across the combined group for the half year.

The pipeline for future sales is significant, with the combined group reporting 1,072 listings at the end of the December quarter, up 21% on the September quarter.

Properties under management (**PuM**) also continues to be a source of strength for the Company with The Agency's east coast and west coast operations reporting a total management portfolio of 4,678 PuM as at 31st December 2019, up 6.4% on the September Quarter 2019.

During the period, Property Management was appointed managing agent for the recently acquired \$20 million Perth rental portfolio of ASX-listed accommodation provider Aspen Group ("**Aspen**") (ASX: APZ)

The 84 residential properties are located in some of Perth's high population growth corridors including the City of Rockingham (south of Perth) and City of Swan (north-east of Perth). Apart from close proximity to beaches, national parks and Perth CBD, the family-orientated dwellings also have access to good quality education, healthcare, retail and recreation facilities.

The number of agents operating under the combined group were 278 as at end of December 2019.

The Company boasts significant assets, with a rent roll valued at ~\$23.5 million and mortgage book valued at ~\$4.6 million.

Commenting on the half year results, The Agency Group's Managing Director Paul Niardone said:

I am highly encouraged by the half year results which highlight strong growth across key operating metrics.

We have delivered positive EBITDA for the December half in excess of approximately \$500,000 and record \$13.4 million in combined revenue for the December Quarter.

Based on the strong momentum we have achieved we are anticipating an even stronger second half.

We are a leader in Australia's real estate sector, delivering a model which puts the agent first. Our growth in agent numbers since starting has been phenomenal, but it is the quality of agents joining our business that excites me the most. These agents are routinely recognised as some of the best in the business - not just by peers and the wider

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industry, but also our clients. These high calibre agents are breaking records for values, volume, auction clearances and innovative marketing.

I would like to thank all The Agency staff and agents for all their hard work over the first half of 2020 and I look forward to updating the market on our successes during the second half of 2020.

Cashflow Commentary

One-off costs during the period are summarised below:

Cashflows used in operating activities

- \$65k in redundancy payments
- \$79k one-off payment regarding one year of rent paid out for sales representative
- \$121k in one-off legal fees associated with Macquarie Bank re-financing and capital raising; and
- \$432k interest payments representing interest on payout of Top Level Loans, roll-over of Macquarie Bank facilities and Top Level vendor interest payments

Cashflows used in financing activities

- \$2.5 million in repaid debt and borrowings
- \$365k fees associated with the capital raising completed in the September quarter
- \$55k loan roll-over facility fee

Cashflows used in investing activities

- \$189k for purchase of rent roll from a new sales representative
- Final payment to vendors of Inglewood Real Estate of \$15k

Cash flows from Investing Activities of \$204,000 represented the final payment to vendors of Inglewood Real Estate announced in June 2018 as well as establishment costs for new office on NSW Central Coast.

For Cash flows from financing activities, repayment of borrowings consisted of the payout of all remaining principle repayments on merger-related loans of Top Level Real Estate and a principle repayment of \$500,000 off the Macquarie Bank facility.

Transaction costs related to loans and borrowings refer to Macquarie Bank renewal fee charged on roll-over of \$12.1 million finance facility.

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Transaction costs related to share issues consists of standard fees associated with the \$1.1 million Placement and \$4.5 million Entitlement Offer initially announced in July 2019.

Corporate Update

In December, The Agency announced the appointment of Andrew Jensen as Chief Operating Officer and Arjan van Ameyde as Chief Financial Officer.

Both Mr Jensen, current interim Chairman of The Agency with 20 years' experience in senior finance and management roles, and Mr Ameyde, who has over 25 years' experience in senior finance roles in listed companies and SME, will take up their new roles on 1 February 2020.

The Agency also announced the resignation of non-executive director Mr John Kolenda in December. During his time on the Board, Mr Kolenda played a key role in assisting the executives in driving the accelerated growth and expansion of The Agency nationally, including the acquisition of high-growth east coast real estate firm Top Level Real Estate Pty Ltd.

During the HY20, The Agency successfully raised \$5.6 million in new funds and \$5.8 million debt to equity conversion which strengthens the Company's balance sheet by repaying existing loans while providing the necessary funds to accelerate The Agency's growth plan in key real estate markets.

In addition, The Agency have attracted two new strategic investors, Magnolia Capital and Honan Insurance Group, who understand The Agency's business model and can see how it has disrupted, and will continue to disrupt, the Australian real estate market.

Cost Savings Update

As previously announced, The Agency has begun implementing a cost savings program across the combined group during FY20 as part of its integration of The Agency's East Coast and West Coast operations (refer to ASX announcement dated 30 August 2019).

The Company is pleased to report the cost savings program remains on track with redundancies undertaken to streamline the business post-merger with Top Level Real Estate resulting in approx. \$678k in wage savings.

This ASX release has been approved for release by the board.

ENDS

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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")

31 December 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date \$A'000 |
|---|------------------------------------|---------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 15,385 | 28,524 |
| 1.2 Payments for | | |
| (a) research and development | (17) | (17) |
| (b) product manufacturing and operating costs | (9,217) | (17,062) |
| (c) advertising and marketing | (93) | (235) |
| (d) leased assets | (11) | (16) |
| (e) staff costs | (3,407) | (6,048) |
| (f) administration and corporate costs | (2,259) | (4,438) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | 1 |
| 1.5 Interest and other costs of finance paid | (432) | (687) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other | - | - |
| 1.9 Net cash from / (used in) operating activities | (51) | 22 |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date \$A'000 |
|---|----------------------------|-------------------------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | (207) |
| (b) businesses (see item 10) | - | - |
| (c) investments | (204) | (324) |
| (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 | - | - |
| 2.6 Net cash from / (used in) investing activities | (204) | (531) |

| | | |
|---|----------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | 1,493 | 5,585 |
| 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 | (365) | (365) |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | (2,481) | (2,505) |
| 3.7 Transaction costs related to loans and borrowings | (55) | (55) |
| 3.8 Dividends paid | - | - |
| 3.9 Other (Share subscriptions received in advance) | - | - |
| 3.10 Net cash from / (used in) financing activities | (1,408) | 2,660 |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date \$A'000 |
|---|------------------------------------|---------------------------------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date | 6,815 | 3,001 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (51) | 22 |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (204) | (531) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | (1,408) | 2,660 |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of quarter | 5,152 | 5,152 |

| 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 | 4,552 | 6,411 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (Bank Guarantees) | 600 | 404 |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 5,152 | 6,815 |

| 6. Payments to directors of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 150 |
| 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 \$150k (Paid to Executive Directors)
Director fees Nil (Non-Executive Directors)

| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|--|------------------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | \$27 |
| 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 | |

\$277k paid to Aura Capital, a company related to John Kolenda who was a Non-Executive Director during the quarter and resigned 20-Dec 2019

| 8. Financing facilities available <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 | \$12,093 | \$12,093 |
| 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 ranking charge over all group companies, Interest Rate 7%, Term 6 months to 31 Mar 2020. All covenants continue to be met and achieved.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|-----------------|
| 9.1 Research and development | (20) |
| 9.2 Product manufacturing and operating costs | (6,114) |
| 9.3 Advertising and marketing | (159) |
| 9.4 Leased assets | (10) |
| 9.5 Staff costs | (3,012) |
| 9.6 Administration and corporate costs | (2,835) |
| 9.7 Other (Bank Guarantee and Rental deposit) | - |
| 9.8 Total estimated cash outflows | (12,150) |

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Acquisitions |
|---|--------------|--------------|
| 10.1 Name of entity | | |
| 10.2 Place of incorporation or registration | | |
| 10.3 Consideration for acquisition or disposal | | |
| 10.4 Total net assets | | |
| 10.5 Nature of business | | |

Cashflow Commentary

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Cashflows used in financing activities

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Cashflows used in investing activities

- \$189k for purchase of rent roll from a new sales representative
- Final payment to vendors of Inglewood Real Estate of \$15k

Staff costs were higher during the December Quarter primarily based on commissions paid for sales and redundancy payments.

Cash flows from Investing Activities of \$204,000 represented the final payment to vendors of Inglewood Real Estate announced in June 2018 as well as rent roll acquired off a new sales representative.

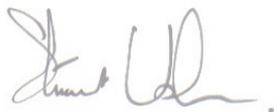
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Compliance statement

- 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: 30 January 2020

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.