

31st July 2020

JUNE QUARTER 2020 UPDATE & APPENDIX 4C

THE AGENCY REBOUNDS STRONGLY FROM COVID-19 LOW – VISIBILITY TO STRONG SALES PIPELINE

Highlights¹

- Despite COVID-19 impact the company achieves third highest Gross Commission Income (GCI) during the current Quarter of \$9.1M, with a strong rebound in June (\$3.9M).
- Total annual GCI FY20 \$48M up 26% on FY19 (\$38M), (FY 18 \$29M).
- Unaudited EBITDA of \$220,000, the third quarter in a row of positive EBITDA.
- Attracted 283 quality Agents (target 600), with average GCI increasing over the past twelve months.
- Strong sales pipeline, with 1,001 listings across the combined group (As at 30 June 2020), with 392 new listings secured in June 2020
- 4,838 Properties Under Management (PUM) at 30th June 2020, 100 more than previous quarter
- COVID-19 has highlighted the effectiveness of our established remote ready cloud-based platform and model to the industry, which will drive recruiting efforts over following quarters.
- With the platform and infrastructure already in place there will be minimal costs with each new recruitment.
- Cash and cash equivalents at 30th June 2020 of \$4.97M
- The Board is currently reviewing its debt position and options

Commenting on the June Quarter results, The Agency Group’s Managing Director Paul Niardone said:

Like a significant number of businesses across Australia, The Agency Group experienced a difficult June Quarter as a result of the first phase of COVID-19 pandemic and resultant impact from restrictions on the real estate sector nationally.

However, due to our model and cloud-based platform the Company was able to continue to deliver its services with no interruptions. The ability of being able to work anywhere and not to be reliant on an office is now an essential requirement of the industry. This will be an important recruitment driver for agents in the future.

Prior COVID-19 some agents had difficulty with the concept of not having to be in an office now the ability to work anywhere is more attractive and achievable. Our model delivers this with the proven result of no disruption and drop-in service.

With the relaxation of COVID-19 restrictions, the Company pleasingly experienced a strong month in June. This solid rebound from earlier in the quarter highlights the robustness of our business model and the strength and tenacity of our sales agents and administrative staff.

Importantly, the strong results we delivered in June are now flowing through to the current quarter with 298 listings up to the third week of July, a 96% increase on the same period last year.

¹ Revenue figures provided in this announcement are unaudited.

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The Agency Group Australia (ASX:AU1) (“The Agency” or “the **Company**”) is pleased to report that despite uncertain market conditions brought on by COVID-19 impact, the Company delivered solid financial results for the June quarter, rebounded strongly in the last month of the quarter and has visibility to a strong sales pipeline into Q3 2020.

The Agency delivered revenue for the June Quarter of \$9.1 million of which \$3.9 million was reported for June, the Company’s third highest revenue result.

Despite the COVID-19 shut down Gross Commission Income (GCI) for the June Quarter was \$11 million, its third-highest quarter for GCI behind the December 2019 and March 2020 Quarters. For the month of June, The Agency delivered GCI of \$5.1M highlighting the rebound in sales during the month.

The Agency sold a combined \$678.8 million worth of property during the June Quarter.

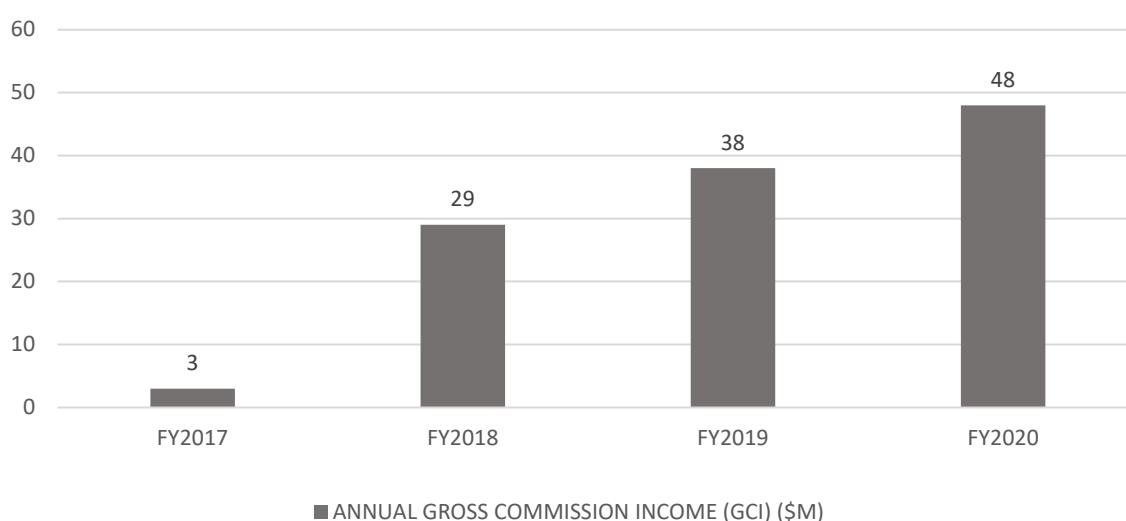
For the June Quarter, there were 1,001 listings, which is on a par with the December 2019 and March 2020 Quarters, and 740 settlements. A strong pipeline for future sales, with 1,001 listings across the combined group (As at 30 June 2020). 392 new listings were secured in June 2020.

Properties Under Management (PUM) continues to expand with The Agency reporting a total management portfolio of 4,838 PUM as at 30th June 2020, up from 4,737 PUM at 31st March 2020.

As at 30th June, The Agency was comprised of a combined 283 sales agents (East Coast: 142, West Coast: 141), with average GCI increasing over the past twelve months.

The Agency will be looking to significantly boost agent numbers in the coming quarters. With the platform and infrastructure already in place there will be minimal costs with each new recruitment.

ANNUAL GROSS COMMISSION INCOME (GCI)

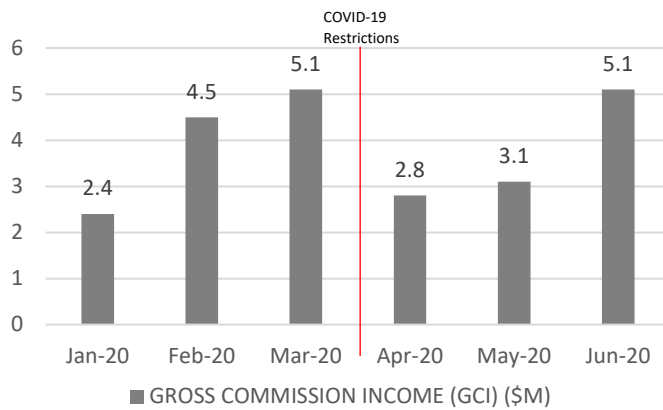


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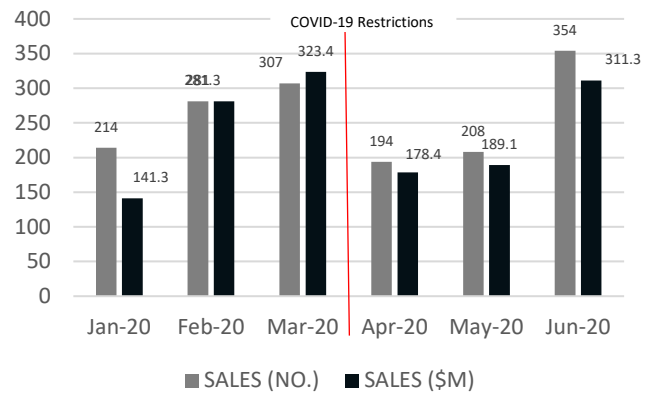


REAL ESTATE
FINANCE
SETTLEMENT
INSURANCE

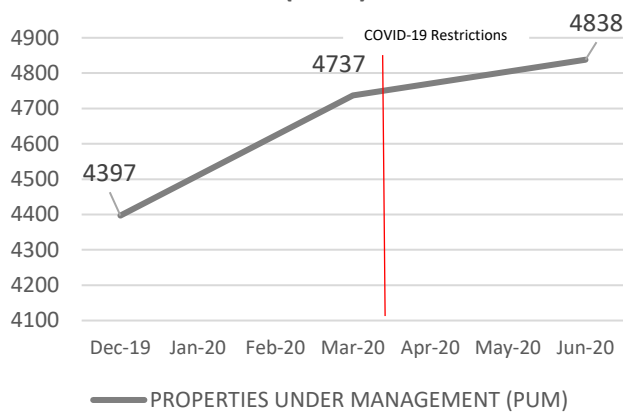
GROSS COMMISSION INCOME (GCI)



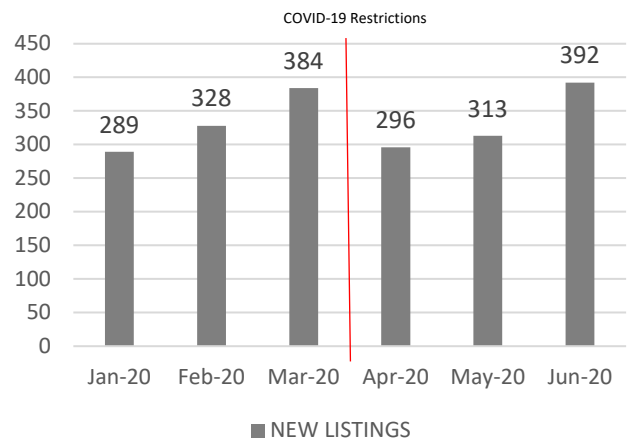
SALES



PROPERTIES UNDER MANAGEMENT (PUM)



NEW LISTINGS PIPELINE



Cashflow commentary

The Agency reported Receipts from Customers of \$12.6 million for the period, down from \$15.1 million in the March Quarter, as a result of the impact of COVID-19 pandemic across the business - particularly in April / May.

Government incentives through Cashflow boost and Job Keeper (Federal Government) and refunded or delayed payments of payroll tax (various State Governments) have been received during the quarter and included in operational cashflows. With the continuation of these schemes through the September quarter operational spending for September is expected to be in line with the June quarter.

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The Company continues to work proactively with its primary bank debt provider and other parties regarding a resolution of its current financing facility on or before 30 September 2020.²

It is currently finalising arrangements to bring bank debt down to a manageable level.

Payments to related parties and their associates included payments for executive director salaries for the quarter totalling \$107k.

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

ENDS

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² Refer to ASX announcement dated 11th May 2020.

Appendix 4C

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

Name of entity

The Agency Group Australia Limited (ASX: AU1)

ABN

52 118 913 232

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12,573	56,223
1.2 Payments for		
(a) research and development	(4)	(44)
(b) product manufacturing and operating costs	(8,583)	(35,225)
(c) advertising and marketing	(52)	(287)
(d) leased assets	(7)	(26)
(e) staff costs	(1,941)	(10,361)
(f) administration and corporate costs	(2,099)	(9,232)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(237)	(1,356)
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	(350)	(307)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(440)
(d) investments	-	(324)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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	-	-
2.6	Net cash from / (used in) investing activities	(5)	(764)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,585
3.2	Proceeds from issue of convertible debt securities	1,000	1,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(149)	(514)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(12)	(2,781)
3.7	Transaction costs related to loans and borrowings	(138)	(243)
3.8	Dividends paid	-	-
3.9	Other (interest from convertible notes)	-	-
3.10	Net cash from / (used in) financing activities	701	3,047

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,631	3,001
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(350)	(307)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(764)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	701	3,047
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period (See Note 6 Reconciliation of cash)	4,977	4,977

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	4,325	4,026
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantees)	652	605
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,977	4,631

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 | 107 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

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

6.1 – Directors' Salary paid to Executive Directors as part of salary entitlements.

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	13,843	13,843
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	13,843	13,843

7.5 Unused financing facilities available at quarter end

-

7.6 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.

1. \$12.093m loan from Macquarie Bank, secured by 1st ranking charge over all group companies, Interest rate 8.5%, due for repayment on or before 30 September 2020.
2. \$750k loan form Kalonda Pty Ltd, secured by shares held in security, interest rate of 10.5% (16% pa from 1 July 2020). Term renewed for further 3 months to 30-Sep 2020 with an option to renew for a further 3 months to 31 Dec 2020.
3. \$1M Convertible Note, secured by 2nd ranking charge over all group companies, interest rate 9%, repayable by 31 Dec 2020 or if elected by noteholder converted to ordinary shares at \$0.04 per share and a 20% discount to the 15 day VWAP prior to conversion date up until the maturity date.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(350)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,977
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,977
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	14.22

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

N/A

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?

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

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:31 July 2020.....

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.
6. In accordance with previous disclosure to ASX, dated 18 May 2020, the Appendix 4C includes a significant sum that is invested in a bank account under our borrowing obligations with Macquarie Bank. The balance of funds are held in other bank deposits which are used as security to support commercial and operating obligations of the business.

In accordance with Accounting Standards these cash deposits are treated and classified as other assets on the balance sheet. However, The Agency has treated these as cash on deposits and cash equivalents within the Appendix 4C, in line with its internal management reporting and consistency with prior Appendix 4Cs.

Reconciliation of Cash at Bank.

	Appendix 4C
	\$000's
Cash at bank	2,725
Cash classified as	
- Cash on deposits	482
- Cash on deposit with funder plus bank guarantees	770
- Convertible Note Funds	1,000
	4,977