

ASX Announcement 29 April 2024

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

Q3 FY2024 Quarterly Activities Report

IAM announces 5% operating revenue increase to \$3.9m for Q3 FY2024 from the Q2 FY2024 result, AuA is at \$3.41bn, and client numbers have grown to 1,953.

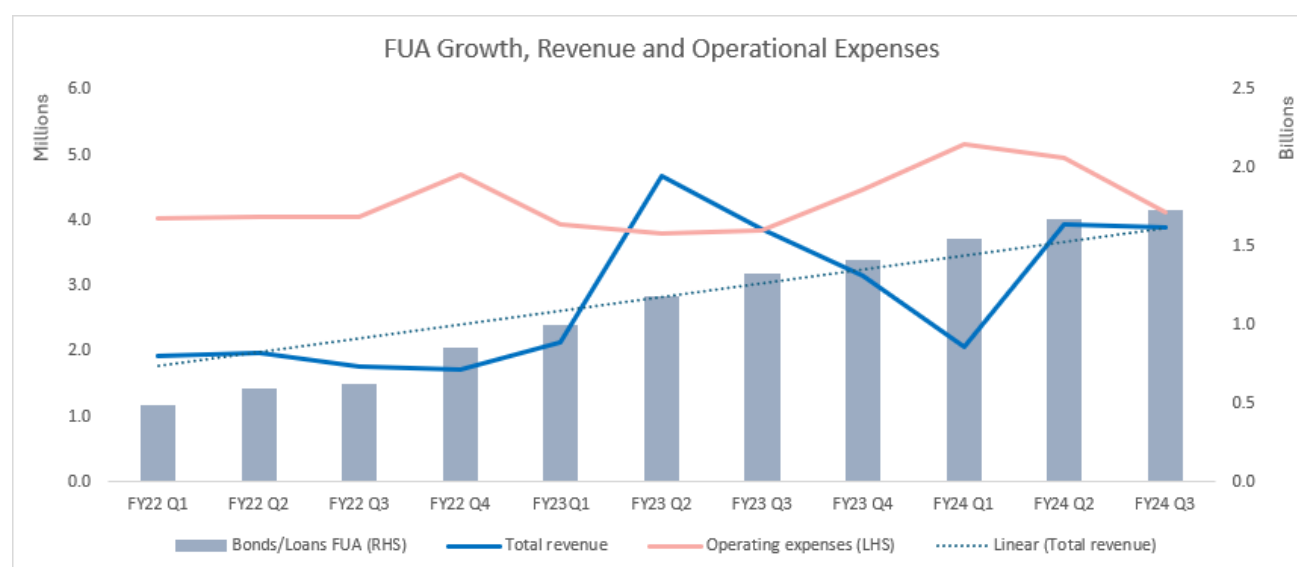
Key Highlights as follows:

- **Operating revenue increased 5% to \$3.9m between Q2 FY2024 and Q3 FY2024.**
This follows an active March in primary capital markets and the introduction of custody and loan trustee fees.
- **Custody and loan trustee fees are a new source of annuity revenue for IAM and will be receipted each quarter.**
- **IAM Group came very close to an EBITDA profit in Q3 FY2024** but is well placed for Q4 FY2024 given the strong pipeline, our new sales recruits, and current market conditions. While IAM does not forecast to the market, the Q3 FY2024 result demonstrates a continued turnaround from the Q1 FY2024 performance where global market turnover fell significantly for fixed income trading.
- **IAM Group closes Q3 FY2024 with cash holdings of \$5.3m.**
- **Total AuA at the end of Q3 FY2024 is \$3.41bn.** This consists of:
 - **Bond/loan FuA of \$1.73bn**
 - **Cash AuA of \$1.68bn**
 - Note: IAM uses FuA for Capital Markets and AuA for Cash Markets.
- **All new sales staff have started in line with expectations** and are attracting new clients, working with our channel partnerships to expand relationships and have helped build on the already strong sales culture within IAM. The sales pipeline for Q4 FY2024 is larger than previous quarters as a result.
- **Capital Markets FuA grew 31% YOY to \$1.73bn** from the growth in transaction activity, client numbers and fixed income offerings in the marketplace.
- **Client numbers grew 65% YOY.** These are wholesale clients where IAM only offers general product advice. This model is quite scalable.
- **IAM has added HUB24 and Wilsons Advisory** to its distributions partnerships where clients of both highly regarded financial services companies can now access fixed income solutions through IAM in an extremely efficient and scalable manner. HUB24 recently announced it achieved \$100bn in FUA. Wilsons have over \$30bn in FUA and 250 experienced advisers. In both cases IAM was able to secure these partnerships over other competitors with our demonstrated transparency, product range and fair pricing.

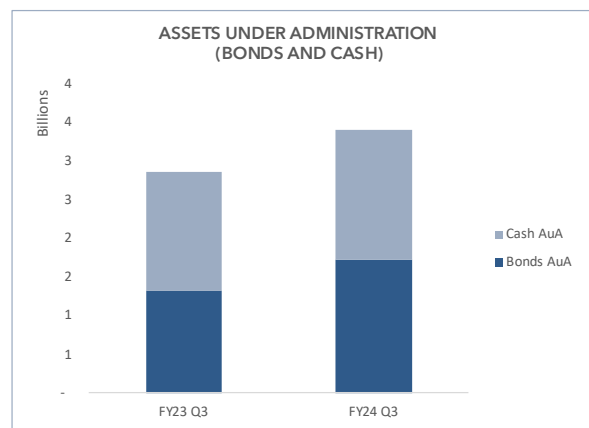
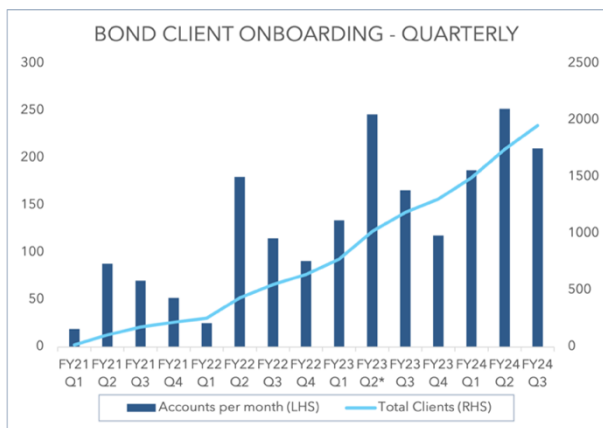
The Debt Capital Markets pipeline for Q4 FY2024 has grown considerably with a range of diverse issuers and transactions, mostly arranged by major global firms. Most of these deals are expected to settle by 30 June 2024. We are currently targeting revenue for FY2024, consistent with IAM generating approximately 1% revenue on bond/loan specific FuA.

Key Financial Information:

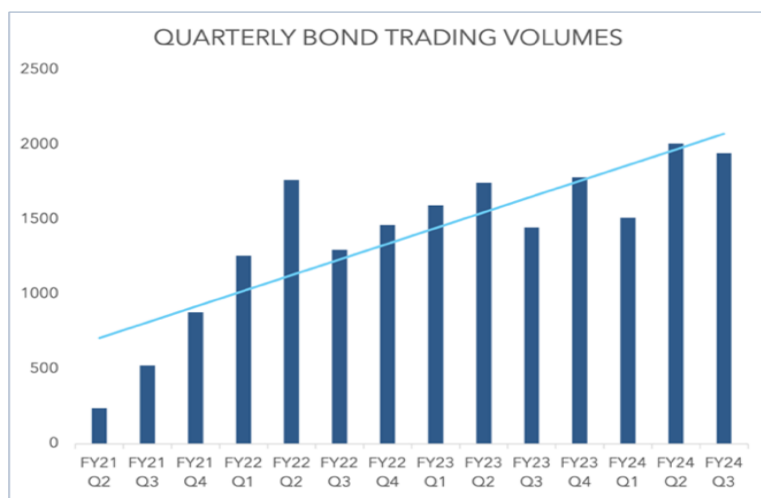
- Operating revenue \$3.9m for Q3 FY2024.
- Closing cash for Q3 FY2024 of \$5.3m.
- IAM took steps during Q3 FY2024 to remove circa \$2m of salary costs. The exit of funds management distribution formed the largest part of this reduction as the business focuses resources on platform and direct bond and loan distribution. IAM initiated further cost savings measures such as removing service contracts no longer required.
- IAM Capital Markets FuA increased by \$65m during Q3 FY2024 to **\$1.73bn** (31% increase YOY on Q3 FY2023). Note: new assets of \$146m were added during Q3 FY2024, and there were bond maturities of \$81m that are yet to be replaced.
- IAM Cash Markets AuA decreased by 7% on Q2 FY2024 to **\$1.68bn** (9% increase YOY on Q3 FY2023).
- IAM almost achieved an EBITDA profit in Q3 FY2024 as evidenced below in the closing gap between revenue and expenses. As AuA and client numbers grow IAM is very well placed given the margins we generate.



- IAM continues to grow its trading activity noting the seasonal trends.** With the new recruits recently added, IAM expects this to expand. **The growth in total AuA** has been pleasing with the Capital Markets pipeline targeting a strong Q4 FY2024 performance.
- Client numbers grew 12% from Q2 FY2024 to Q3 FY2024, or 65% YOY to reach 1,953.** New wholesale clients means more FuA in bonds and loans, trading activity, custody fees and referrals. Total AuA growth has been pleasing and remains a key target for the Group.



Bond trading activity continues to grow and the new recruits are expected to add to the activity levels. More trading at a fair margin means more consistent income.





Detailed Business Performance.

Primary Capital Markets:

In Q3 FY2024, IAM was active in Investment Grade (IG) primary issuance, particularly in the subordinated debt market. IAM placed bids for \$252m of sub debt in Q3 FY2024 and were able to manage great outcomes for our clients given the reach we achieved. We also distributed \$20m of mezzanine bonds to select HNW investors, in a “special situation” opportunity. This reflects IAM’s growing market position, brand awareness to market participants, and growing client base. Our **Q4 FY2024 pipeline, mostly in high yielding loan products from bank syndicate deals, places us in a good position to grow revenue and our cash position.**

Secondary Bond Trading:

IAM expanded its revenue generating capacity in Q3 FY2024. IAM increased its client-facing (revenue writing) staff, adding seven new experienced recruits, two of whom are now operating our Perth office. IAM covered the trade restraint period at a cost to the Group, a deliberate investment in people, distribution and trading capability. This is already paying off both in terms of activity and the required shift to more income-generating FTE over administration FTE.

IAM expanded the number and quality of our distributions partnerships even further in Q3 FY2024, with many trusted names in financial services, and this could lead to further revenue generating hires as we hit the client coverage capacity that our partners require. Having previously announced Netwealth, ANZ Private, Praemium and others, adding HUB24 and Wilsons Advisory adds further distribution capability. This is particularly pleasing having been chosen above other possible competitors, given our approach to risk/return solutions, pricing, and transactional efficiency. **IAM grew to 1,953 new clients in a small period of time,** through our partners we now have the ability to service many more. Even a very small take up of fixed income by their clients will have a significant financial impact on IAM.



IAM received very favourable feedback on its pricing model during the period. IAM, through its facilitation desk, new distribution partners, new recruits and new clients, have received confirmation that our approach to pricing and execution transparency is highly favoured and a large part of why we are winning new deals, partners and their clients. As Jon Lechte, CEO, said, “providing transparency, fairer pricing, and faster execution services to third parties has meant we have grown new client numbers, AuA, and further distribution capability quite quickly and want to continue to capitalise on this”.

IAM has a unique business model in Capital Markets due to its 100% ownership of Trustees Australia Ltd (TAL). IAM during Q3 FY2024 used TAL to facilitate loan transaction distribution, provide custodial services (new revenue line) while continuing to provide Responsible Entity services. IAM expects to grow the opportunity for direct and advised clients to access higher yielding and “special situation” loan transactions into Q4 FY2024 and beyond. Through TAL, we also operate as bare-trustee for banking loan transactions that are normally only offered through institution-only transactions. This opens this part of the market up to IAM and its clients, previously restricted.

Jon Lechte said, “Our primary pipeline and secondary trading activity levels continue to grow. Attractive interest rates, moderating inflation and a shift to more fixed income in client portfolio’s places us well in this regard. However we have also invested in our staff numbers in order to grow revenue and capitalise on our expanded client reach through our wider partnerships and increasing DCM deal flow. We charge fairly and transparently, we price risk, and we have multiple ways of generating revenue through our services and solutions. We can innovate further, for example with ETB’s as previously disclosed, and we look forward to sharing progress in Q4 FY2024 for our Capital Markets business.”

Cash Markets:

IAM Cash Markets grew AuA 9% YOY comparable however saw some redemptions in Q3 FY2024 (7% decrease compared to Q2 FY2024). The IAM cash offering **provides an annuity income stream** for the Group, however has seen some slight movement in the period due to equity market growth and related redemptions. While year on year the growth has been as expected, clients will move cash in and out as equity markets move.



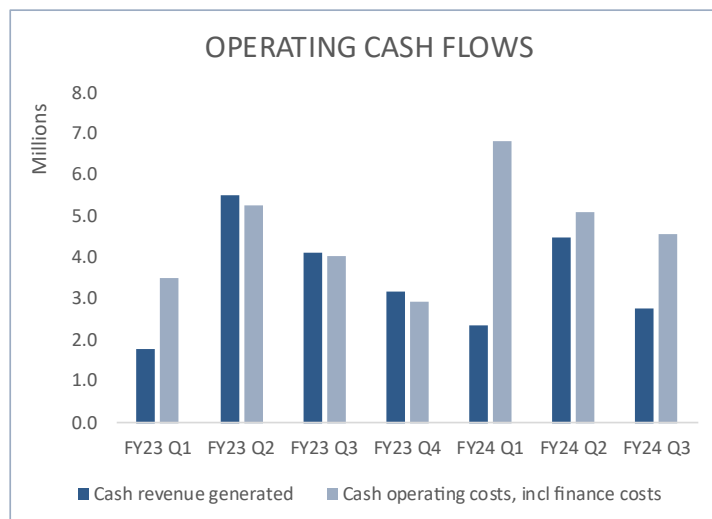
IAM Cash Markets added ANZ Bank to its offering. Another major bank has joined the IAM term deposit offering which was not previously available in the past. This is good for client diversification and rate offering and adds to the strength of our cash business model. IAM also offers clients a quality at call cash account backed by ANZ which helps facilitate settlements, coupon payments and client liquidity needs. A margin is paid to IAM on this cash.

IAM is currently reviewing its Cash Markets product offering for FY2025. IAM is currently undertaking a review of its cash business to be more competitive on pricing and product solutions. IAM has appointed Ms Danielle Press, ex-ASIC Commissioner, to assist in driving the new offering and adding insight into how IAM can grow this business further and more competitively given the annuity stream style of income and most importantly, client need for cash-liquidity and yield.

QUARTERLY CASH FLOW

- **IAM's total cash** at the end of Q3 FY2024 is **\$5.3m**.
- With a closing cash balance of \$5.3m and **total funding available of \$11.3m**, we have an estimated **6.2 quarters of funding available** in accordance with Section 8 of the attached Appendix 4C.
- **IAM removed circa \$2m in salaries during the period**, mostly funds management distribution staff. Adding sales orientated staff who generate revenue remains possible, however the size of the cost cutting is such that we remain confident of achieving a significant net reduction in costs.
- **Total cash receipts from customers and interest earned** was **\$2.8m** in Q3 FY2024. This was impacted by delays in receiving custody fees and a primary deal settling in April. Had these settled within the month they were transacted, the total receipts would increase to \$3.8m.
- **Total cash operating outflows and finance costs were \$4.6m** in Q3 FY2024. This is a 10% reduction in operating outflows from Q2 FY2024 and as previously announced, there have been further cost reductions made on an ongoing basis.
- **With the material expansion of the sales team announced in early April, moving forward there will be an increase in operating cash outflows for staff costs as the new starters commence, and a decrease in financing recruitment costs during their restraint period.** Other than PAYG and on-costs associated with employment, there is no further cash impact to

the Group regarding these recruits, however it is worth noting that Q4 FY2024 will be impacted on a one-off basis as loans in place for six months are extinguished.



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 \$140,507, 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:

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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")

31 March 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1.1	Receipts from customers – brokerage and fees	1,013	5,001
1.1.2	Receipts from customers – securities trading	1,710	4,320
1.1.3	Net in/(out)flows for settlement of financial instruments held on balance sheet	172	(11)
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(952)	(3,111)
	(c) advertising and marketing	(59)	(232)
	(d) leased assets	(17)	(49)
	(e) staff costs	(3,023)	(8,118)
	(f) administration and corporate costs	(345)	(3,757)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	35	151
1.5	Interest and other costs of finance paid	(360)	(1,074)
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	(1,826)	(6,880)
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 (9 months) \$A'000
	(i) property, plant and equipment	(24)	(61)
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	108	11
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 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	84	(50)

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	(18)	(261)
3.5	Proceeds from borrowings	(186)	(299)
3.6	Repayment of borrowings	(48)	(140)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayments of lease principal	(150)	(450)
3.10	Net cash from / (used in) financing activities	(402)	2,850

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	7,391	9,279
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,826)	(6,880)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	84	(50)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(402)	2,850
4.5	Effect of movement in exchange rates on cash held	33	81
4.6	Cash and cash equivalents at end of period	5,280	5,280

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	5,280	7,391
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)	5,280	7,391

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	(239)
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	-
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	-	-
7.3.4	Other – Supplier funding	64	64
7.4	Total financing facilities	16,064	10,064
7.5	Unused financing facilities available at quarter end		6,000
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 to be used to purchase inventory or facilitate settlements for the Capital Markets business. Interest rate of 6% and repayment on 30 June 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>7.3.4 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)	(1,826)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,280
8.3	Unused finance facilities available at quarter end (item 7.5)	6,000
8.4	Total available funding (item 8.2 + item 8.3)	11,280
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.18
	<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: 29 April 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.