



ASX Announcement 26 October 2023
Income Asset Management (ASX:IAM) (IAM or Group)
Q1 FY2024 Quarterly Activities Report

IAM Group, Q1 FY24, increased its Assets Under Administration (AuA), Client Numbers, Debt Capital Markets (DCM) Pipeline and is now providing bond trading services on Netwealth's platform that has over 127,000 accounts. In the same period, due to DCM mandated deals being delayed until Q2 FY24, IAM posted a net operating cash outflow and an EBITDA loss following three previous quarters of positive operating cashflow.

AuA increased 42% YOY to \$3.28bn, and client numbers increased 81% YOY to 1402. The potential revenue from the DCM pipeline for Q2 ranges between \$4m and \$5m, with one deal, previously expected in Q1, already settling in October. As a result, the Group currently expects H1 FY24 to conclude profitably at the EBITDA level with Q2 on track to make up lost revenue due to timing issues.

The EBITDA loss for the quarter to 30 September 2023 (Q1 FY24) is \$3.12m with negative operating cashflow of \$4.47m. In addition to normal expenses, in Q1 FY24 IAM additionally allocated spend to the Exchange Traded Bonds (ETB) solution as well as annual expense payments and investment one-offs detailed below.

IAM held \$4.74m in cash at end Q1 FY24. Q1 FY23 was \$1.99m comparatively.

Executive Summary

Primary Capital Markets fees - Volatile capital market conditions have forced three transactions from Q1 into Q2; had they occurred when expected we would have posted an EBITDA profit and positive operating cash flows.

One of the three transactions, Finexia (ASX:FNX) has since settled (IAM raised \$25m for [Finexia](#)), another is executing shortly. The DCM pipeline for Q2 is deep; we expect to book placement fees in Q2 that will result in strong profitability for the quarter, and anticipate posting an EBITDA profit for the half year. The DCM pipeline extends out into 2024 with transactions varying in size and fee opportunities already in progress.

Secondary Bond Trading revenue was weaker than expected in the first quarter, due to market conditions and the ever-increasing bond yields which have put some investors on the sidelines. Q1 FY24 was particularly low in trade volumes for debt and equity markets; currently October is trending back to a normal trading month. For IAM higher returns increase the attractiveness of our fixed income offering. Our rolling average revenue continues to track well, and adding further sales people will see trading increase into FY24 as we focus on growing our recurring income.

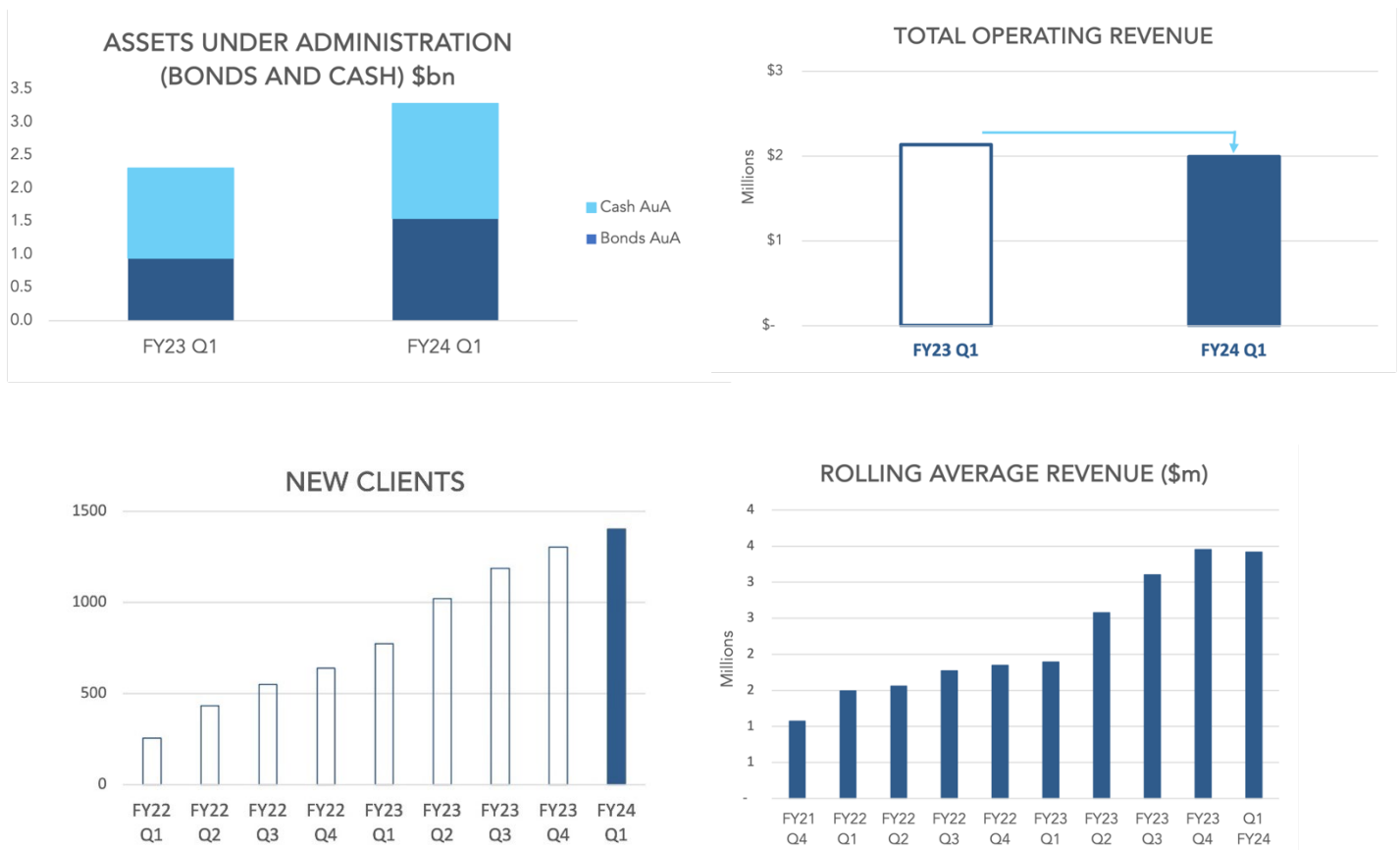
IAM has deliberately **invested in growth**, with two very significant growth opportunities that we anticipate will further stabilise our trading revenue on an upward trajectory.

- We have **partnered with Netwealth** (ASX:NWL) for fixed income. The agreed transactional process is very simple between advisers, Netwealth and IAM, enabling investors to buy through the NWL platform, avoiding onboarding and simplifying the settlement process. NWL have more than 3000 advisers and

\$71bn+ of Funds under Management (FUM). We are working with their Sales team presently to begin marketing to their network.

- We also recently agreed to **hire seven experienced Sales executives** from a competitor, based across the country, and will establish our office in Perth. These new hires will also be instrumental in covering the Netwealth opportunity given the scale of that operation. This investment will see IAM extremely well positioned going in to FY24 given the calibre of the hires and IAM's ability to drive dealflow to them.
- We have furthered the readiness of our **ETB innovation**, which is awaiting regulatory review. Our chosen provider, CBOE, has been instrumental in working on the required documentation and processes to solve for providing listed bonds for all Australian investors. We expect to launch in Q3 2024 and are discussing partnerships with appropriate equity brokers and platforms keen to help all investors find yield efficiently and transparently. As noted IAM has allocated capital to this innovation with Q1 FY24 bearing the bulk of the cost to date.

The Group now holds \$3.28bn in total AuA, a 42% YOY increase, with an 8% increase QOQ in client numbers to 1402. As IAM onboards more wholesale clients, we increase the opportunity to generate revenue from transacting bonds and providing DCM dealflow.



Medium term outlook

We have a planned national rollout of fixed income to Netwealth advisers and direct investors immediately ahead of us. Utilising the Netwealth platform, there is no requirement for clients to onboard to IAM, and so they are able to trade with administrative ease and efficiency. We will offer direct bond sales but also model-bond portfolios, managed discretionary accounts (MDA's) and soon, listed Exchange Traded Bonds. We are also in discussions with other platforms to provide fixed income to their clients. The investments we made in our technology stack, compliance and distribution teams, have enabled these conversations. Executing DCM mandates, growing trading revenue through growing client numbers, and adding further sales staff remain key priorities in FY24.

KEY FINANCIAL INFORMATION AND QUARTERLY CASH FLOW

- **IAM Cash AuA** increased by 3% on Q4 FY23 (28% YOY Q1 comparison) and is **now \$1.739bn** in AuA.
- **IAM Capital Markets AuA** increased 10% compared to Q4 FY23 to reach **\$1.545bn** (64% YOY Q1 comparison).
- **Client numbers are now 1402, an 81% increase since this time last year.**
- **Netwealth signed**, and agreed sales process in place.
- IAM's **total cash at the end of the quarter of \$4.74m is a 137% increase on Q1 FY23** cash total of \$1.99m, but a reduction of \$4.57m from the previous quarter (Q4 FY23 \$9.28m).
- The **total operating revenue is broadly flat** compared to the corresponding period, Q1 FY23.
- **Total cash receipts from customers and interest earned in Q1 were \$2.20m.** This compares to Q1 FY23, which had an equivalent inflow of \$1.78m and to Q4 FY23 inflows of \$3.17m. The Group executed one significant Debt Capital Market (DCM) transaction at the start of the quarter, but additional mandated transactions have been delayed and slipped into Q2.
- **Total cash operating outflows for expenses and finance costs** were impacted by the following one-off costs:
 - ETB product innovation \$300k. This investment will allow IAM to list individual bonds so that all investors in Australia can access them, not just Wholesale investors.
 - New IT platform cost \$300k. An annualised cost going forward of \$732k, to be partly offset by an annual saving after Q2 24 of \$375k on market data services that are no longer required. This technology investment has allowed IAM to scale, improve client reporting and partner with other platform providers more efficiently.
 - A change in timing of tax payment of \$300k

Additionally IAM settled \$800k in Q1 of annual invoices at a time when the mandates were looking favourable for settlement. The timing of these payments will be reviewed ahead of Q1 FY25, to reduce the cash flow impact this time next year.



CEO STATEMENT

“The key issues faced were a delay in DCM deals, slower trading for the period that is consistent with the equity market weakness, and a higher than usual cost base in Q1.”

“We have invested into developing an exciting innovation for the Australian debt markets and hiring seven new experienced sales executives across the country. We also invested in establishing our own High Yield Fund and, importantly, into an exciting development for the Australian fixed income markets, Exchange Traded Bonds (ETBs), which will enable retail investors to participate in better high-quality investments than they have been able to access in the past.

Importantly for our stakeholders – staff, clients, counterparties and IAM stock investors - the business stresses our belief in the model we have built. Our transactional flow is rapidly exceeding that of two known competitors who have been in market for much longer than IAM has been. Based upon current mandates we expect to double our new-issue revenue in FY24 from FY23, the temporarily delayed closure of transactions in Q1 is not relevant to this expectation. DCM timing will move around quarter to quarter as it does for Equity Brokers with Equity Capital Market transactions. Our secondary turnover is somewhat dependent on client numbers and AuA – we expect both to accelerate post the partnership with Netwealth, and then further platform providers.

Our Funds Management division is adding investors to our Global Credit Opportunities Fund and are key participants in our drive for managed account business, particularly with Netwealth clients.”

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 \$90,276, salaries (including superannuation) of \$75,000, and interest on issued notes of \$16,500.

Items to note:

All FY2024 numbers are unaudited.

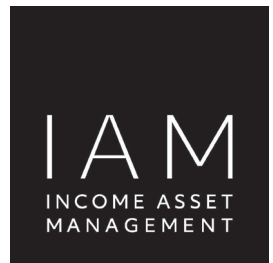
This announcement was approved for release by the IAM Board of Directors.

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

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")

30 September 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1.1	Receipts from customers – brokerage and fees	1,163	1,163
1.1.2	Receipts from customers – securities trading	957	957
1.1.3	Net in/(out)flows for settlement of financial instruments held on balance sheet	182	182
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(846)	(846)
	(c) advertising and marketing	(81)	(81)
	(d) leased assets	(13)	(13)
	(e) staff costs	(2,283)	(2,283)
	(f) administration and corporate costs	(3,266)	(3,266)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	81	81
1.5	Interest and other costs of finance paid	(365)	(365)
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	(4,471)	(4,471)
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 (3 months) \$A'000
	(i) property, plant and equipment	(12)	(12)
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	(24)	(24)
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	(36)	(36)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	133	133
3.6	Repayment of borrowings	(44)	(44)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayments of lease principal	(150)	(150)
3.10	Net cash from / (used in) financing activities	(61)	(61)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	9,279	9,279
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,471)	(4,471)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(36)	(36)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(61)	(61)
4.5	Effect of movement in exchange rates on cash held	32	32
4.6	Cash and cash equivalents at end of period	4,743	4,743

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	4,743	9,275
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)	4,743	9,275

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	(225)
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.</i> <i>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	158	158
7.4	Total financing facilities	16,158	10,158
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)	(4,471)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,743
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)	10,743
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.4
	<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: 26 October 2023

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.