

ASX Announcement 28 April 2023

Income Asset Management (IAM) Q3 FY2023 Quarterly Activity Report

IAM Group is pleased to announce a second consecutive quarter of positive EBITDA and positive operating cash flow, a significant milestone reflecting strong revenue, client and AuA growth.

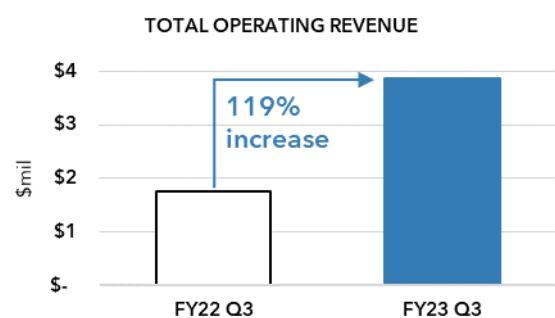
Group revenue increased 119% YoY (compared with Q3 FY22) to \$3.9m from \$1.8m.

The Group now holds \$2.9bn in assets under administration (AuA), a 74% (or \$1.22bn) increase YoY.

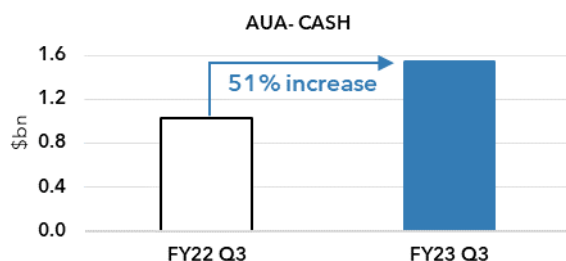
Income Asset Management Group Ltd (ASX:IAM) (IAM or Group) recorded a second quarter of positive net operating cashflow for the 3 months to 31 March 2023 (Q3 FY23) with positive EBITDA* despite low activity levels over the January holiday period.



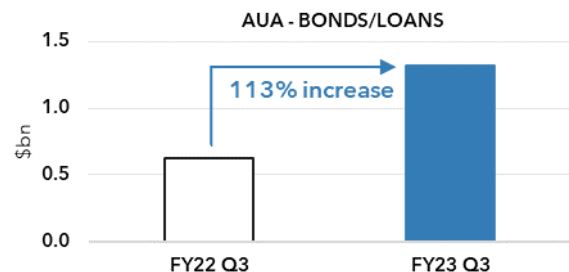
Strong client acquisition demonstrating consistent growth in the business.



113% increase in AuA as client numbers exceed 1000, an important scaling inflection point.



51% increase in AuA with improvements to margin.

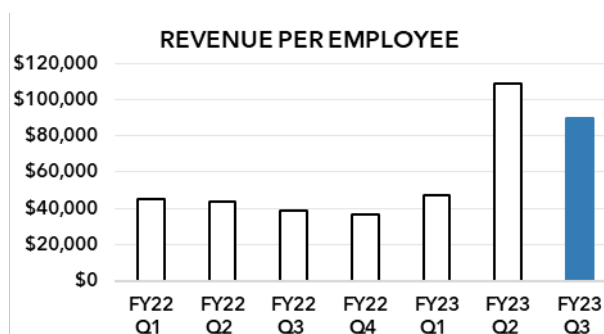


Strong revenue growth Q3 YoY as IAM accelerates.

*All FY2023 numbers are unaudited.

Key performance highlights

- IAM achieved **positive EBITDA** for the quarter.
- **Group operating revenue increased 119% YoY to \$3.9m** compared with \$1.8m in the previous corresponding period, Q3 FY22. Revenue from the **Bonds business grew 112% YoY to \$3.4m**.
- **After an exceptional Q2 FY23, the business' performance moderated slightly in Q3 FY23, but remained strong, posting our second best result to date** – a very pleasing result given the expected January lower activity levels. This reflects a significant uplift in performance compared to prior year, and business metric growth.
- **For Q2 FY23 and Q3 FY23 combined, IAM has produced the first six month period of positive operating cashflow in its history**, including the traditionally slow New Year quarter. Q3 FY23 generated slightly less revenue than Q2 FY23 as a result of the January period with the back-end of the quarter accelerating to finish strongly.
- **Loan trading** revenue continues to grow, with transactional clients now having **increased to 335 clients that hold loans and loan investments totalling more than \$260m**.
- **Bond/Loan AuA has increased 12% QoQ to \$1.3bn** from \$1.2bn in Q2 FY23, with Cash AuA at the end of Q3 of \$1.54bn resulting in **total AuA being up 6.4% to \$2.9bn from \$2.7bn in Q2 FY23**.
- Cash margins are up slightly as the competitive banking environment creates opportunities for greater flexibility on brokerage rates. **Cash AuA has reached the milestone of exceeding \$1.6bn since the March quarter close**.
- Total custody **client numbers have grown 16% in Q3**.
- **Expenses are down 5% compared with the previous corresponding period (Q3 FY22)**.
- **IAM has kept headcount relatively steady since the start of FY22**, with revenue growing each quarter. This demonstrates the growing scale of IAM's business model and as part of that IAM was also able to remove some further roles as part of a redundancy program. The redundancies caused a one-off 2% increase in expenses for the period as payments were made to staff. This occurred while growing revenue, client numbers and AuA as noted.
- Trustees Australia Limited, our responsible entity and custodian business, has more than **\$260m in loans under custody** – these will begin to generate custody fees from 1 July as **our new technology platform and improved client reporting** goes online.
- IAM Funds Management (IAMFM) has signed an agreement with a big-four Australian bank to provide non-discretionary model-bond portfolio services for its ultra-high net worth clients. Under this arrangement, IAMFM will provide market access and research on portfolios that fall within an agreed risk and return criteria, while the bank retains final approval for each portfolio and trade. IAM Capital Markets will charge a spread to facilitate trading, and the Group will generate an ongoing asset-based administration fee.



Headcount has remained flat while revenue per head is scaling up.

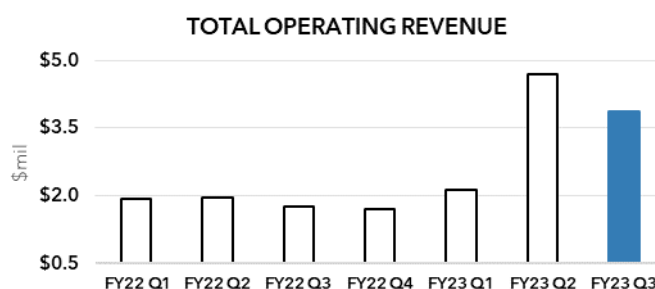
- The agreement with the bank will add to the existing \$600m of non-discretionary AUM already in place and will help greatly to escalate our plans to build a wide network of both non-discretionary and discretionary fixed income managed services. IAM believes this will continue to add to the Group's recurring income stream over time and complement the current transactionally focused revenue stream.
- **The Group has more than \$11m in "total available funding"** (item 8.4 of Appendix 4C). The positive quarterly operating cashflow of \$0.1m makes item 8.5 of the 4C - "Estimated quarters of funding available" - not applicable for the second consecutive quarter.

CEO STATEMENT

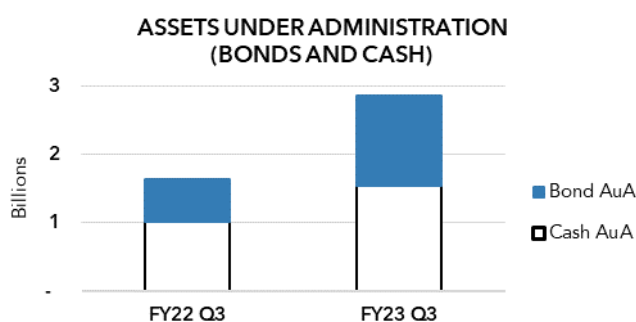
"Our business continues to thrive in this higher interest rate environment"

"The growth in client numbers is driven by referrals and adviser groups bringing more clients into fixed income. IAM has shown that we can provide great solutions for major advisory groups so they can offer their clients the right bonds at the right price. The list of major financial institutions supporting the IAM business, ahead of our competition, is particularly pleasing.

"IAM will build recurring revenue on a stable cost base in the coming quarter and we expect to extend this in FY24. Our approach is to offer a low transaction cost and a fair ongoing administration fee, completely transparent to advisory firms and their clients. IAM had an inflection point in Q2 FY23 demonstrated below and a very strong Q3 FY23 despite the January holiday period. The growth in client numbers to a level of quality scale, our debt capital market business maturing, growing mandates and improving margins have all come together to accelerate IAM's trajectory. As we leverage our new technology platform, scaling the business even further becomes a key priority."



Inflection point Q2 FY23 and beyond due to scaling of the business model



AuA scaling upwards with increased margins

LOOKING FORWARD TO THE REMAINDER OF FY23:

The unsettled interest rate environment for investors and corporates is creating revenue opportunities for our cash market and capital markets businesses.

- We have a significant pipeline of new-issue transactions as bank lending tightens and corporates look for funding.
- For advisory groups, we have seen a strong take-up of our model bond portfolio that offers a simple, transparent and cost-effective way to invest in investment grade bonds.
- We see continued growth of our funds under advisement as financial advisers seek to outsource their fixed income portfolios.
- Our cash markets business continues to focus on larger money market mandates that enable better interest rates in term deposits, at call and NCDs.
- The introduction of a new technology platform in Q4 and Q1 FY24 will ensure all parts of the business can manage the rapid scaling of the group.

OUR STRATEGY

We are a fixed income-focused investment house, providing research and sales of global fixed income investments, coupled with origination and special-situations opportunities for our clients.

In addition to our core business described above, we have a funds management offering. Currently this team is focused on funds distribution and marketing our model bond portfolio opportunities.

SERVICES WE PROVIDE TO OUR CLIENTS

- Fixed income investments in all global currencies
- Debt origination
- Debt advisory
- Funds distribution
- Responsible entity / trustee services for our clients (not as a stand-alone business)
- Listing ETFs and ETPs
- Funds management
- Block trades, special situation transactions, re-financing existing debt, acquisition finance, financial product development
- Wholesale investors, sophisticated investors, and professional investors
- Institutional investors and fund managers with fixed income, private debt, or special situation mandates
- UHNW / HNW investors seeking to allocate capital for income
- Cash / negotiable cash deposit investors
- Stockbrokers, financial planners, banks, superannuation funds, corporates, platforms.

OUR CLIENTS

- Wholesale investors, sophisticated investors, and professional investors
- Institutional investors and fund managers with fixed income, private debt, or special situation mandates
- UHNW / HNW investors seeking to allocate capital for income
- Cash / negotiable cash deposit investors
- Stockbrokers, financial planners, banks, superannuation funds, corporates, platforms.

QUARTERLY CASH FLOW

IAM delivered positive operating cashflow of \$75k for the quarter despite the expected January seasonal slow period while also making redundancy payments due to the scaling of the business. For Q2 FY23 and Q3 FY23 combined, the group has generated \$332k of positive operating cashflow, the first operating cashflow positive 6 month period in the company's history.

The Group continues to see growth in FY23 revenue across both the capital markets and cash markets businesses as the economic cycle continues to favour income-focused investments.

Items to note:

The Group reported positive net operating cashflows for the second consecutive quarter in Q3 FY23. As a result, the "reported estimated quarters of funding available" in section 8.5 is not applicable.

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 \$81,075, salaries and termination payments (including superannuation) of \$289,969, and interest on issued notes of \$18,903.

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

For more information, please contact:

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W: incomeam.com

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")

31 March 2023

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	58	2,784
1.1.2	Receipts from customers – securities trading	3,496	8,074
1.1.3	Net in/(out)flows for settlement of financial instruments held on balance sheet	567	56
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(424)	(2,717)
	(c) advertising and marketing	(40)	(215)
	(d) leased assets	(13)	(51)
	(e) staff costs	(2,384)	(6,708)
	(f) administration and corporate costs	(755)	(2,052)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	2
1.5	Interest and other costs of finance paid	(431)	(580)
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	75	(1,407)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	(13)	(63)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
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	29	40
2.3	Cash flows from loans to related party	-	(125)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	16	(148)

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	-	5,101
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	-	140
3.6	Repayment of borrowings	(40)	(123)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayments of lease principal	(148)	(414)
3.10	Net cash from / (used in) financing activities	(188)	4,704

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,107	2,849
4.2	Net cash from / (used in) operating activities (item 1.9 above)	75	(1,407)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	16	(148)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(188)	4,704
4.5	Effect of movement in exchange rates on cash held	53	65
4.6	Cash and cash equivalents at end of period	6,063	6,063

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	6,063	6,107
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)	6,063	6,107

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	390
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	-	-
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	82	47
7.4	Total financing facilities	15,087	15,047
7.5	Unused financing facilities available at quarter end		5,000
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.		
	7.3.1 Issued notes – Unsecured facility. Interest rate of 12% and repayment date of 4 November 2025. 7.3.2 Bond trading settlement (DVP) facility – Secured over the traded securities. Interest rate of 5%, settled up to T+5. 7.3.4 BidFin Capital – Unsecured facility. Interest rate of 4.6% and repayment date of July 2023.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	75
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,063
8.3	Unused finance facilities available at quarter end (item 7.5)	5,000
8.4	Total available funding (item 8.2 + item 8.3)	11,063
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
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?	
	Answer:	
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: 28 April 2023

Authorised by: 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.