

ASX Release
22 January 2021

HY 2021 UPDATE & APPENDIX 4C

AU1 DELIVERS ROBUST HY21 FINANCIAL & OPERATING RESULTS

RECORD \$1.6M EBITDA, \$1.5M CASHFLOW & GROWING SALES PIPELINE INTO 2021

Highlights¹

The Agency Group	1Q21	2Q21	Increase Q-on-Q	1H21	Increase On 1H20
Total Revenue (m)	\$13.6	\$15.5	+14%	\$29.1	+15% (\$25.2M: 1H20)
Gross Commission Income (m)	\$16.6	\$21.5	+30%	\$38.1	+53% (\$24.9M: 1H20)
No. of Properties Sold	1,134	1,273	+12%	2,407	+51% (1,591: 1H20)
Value of Properties Sold (Bn)	\$0.96	\$1.3	+31%	\$2.2	+46% (\$1.5Bn: 1H20)
No. of Agents	279	298	+7%	298	+7% (278: 1H20)
Listings	1,240	1,209	-0.2%	2,449	+25% (1,955: 1H20)

- Unaudited EBITDA of A\$1.6M for HY21, \$883k for Dec QTR (excl. any Govt. incentives)²
- Positive operational cash flow of \$1.5M for HY21
- Combined total Group revenue of \$29M for HY21, up 15% on previous corresponding period (\$25.2M: HY20)
- Record Quarterly Combined GCI of \$21.5M for Dec QTR, \$38.1M for HY21
- Strong growth across key operating metrics (recruitment numbers, properties sold, value of properties sold)
- Strong sales pipeline with 1,209 listings for the December quarter
- Receipts from Customers of \$34.6M for HY21 and \$19M for Dec QTR
- Cash and cash equivalents at 31st December 2020 of \$5.5M
- Rent roll and mortgage book trail has an estimated market value of \$27M

The Agency Group Australia (ASX:AU1) (“The Agency” or “the Company”) is pleased to announce significant financial and operating results for the HY21 period and strong sales pipeline into the new year, further cementing the company’s position as one of the fastest growing real estate company nationally.

¹ Revenue and EBITDA figures provided in this announcement are based on management unaudited accounts with EBITDA provided in this announcement on a pre -adoption of AASB16

² Unaudited EBITDA of \$2.8M including benefit of government incentives for HY21

Unaudited Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was A\$1.6 million for HY21, with positive operational cashflow of \$1.54 million for the HY period.

Combined group revenue for HY21 was \$29.1 million, up 15% on HY20's group revenue of \$25.2 million. Group revenue for the December Quarter was \$15.5 million, eclipsing the previous quarter's record of \$13.6 million.

Gross Commission Income (GCI) for HY21 was \$38.1 million which already represents 80% of FY20 GCI of \$47.9 million. GCI for December Quarter was \$21.5 million, up 30% on the September Quarter record of \$16.6M.

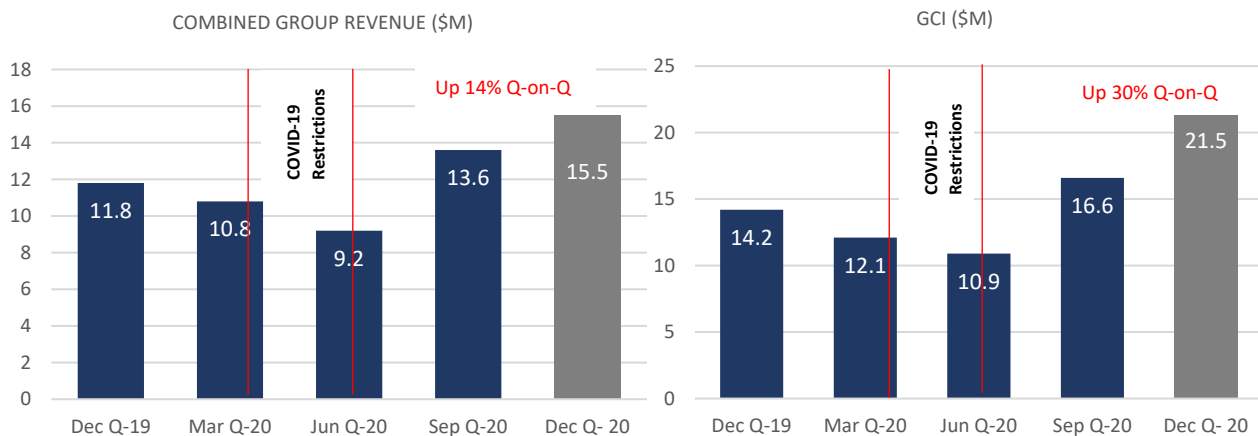
GCI for the HY21 was based on 2,407 exchanges across the group while for the December Quarter there were 1,273 exchanges, an all-time high, with The Agency (East Coast) accounting for 521 exchanges and West Coast (incorporating The Agency and SLP brands) accounting for 752 exchanges.

The Agency sold a combined \$2.2 billion worth of property in the HY21, up from \$1.5 billion in HY20. During December Quarter, \$1.3 billion worth of property was sold a 31% increase from \$959 million in the September Quarter.

The pipeline for future sales remains strong with the combined group reporting 1,209 listings for the December quarter.

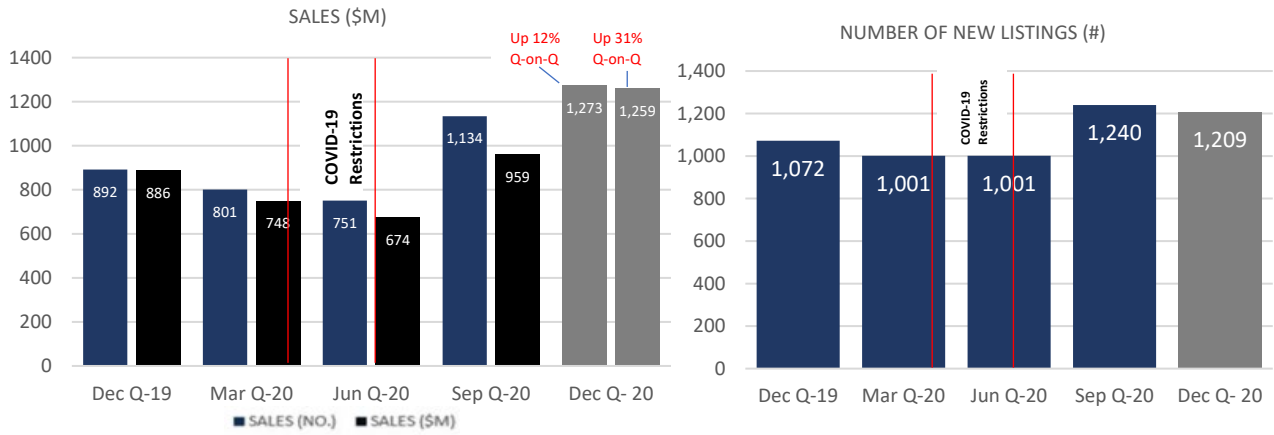
Properties under management (PuM) also continues to be a source of strength for the Company with The Agency's east coast operations reporting a total management portfolio of 3,576 PuM at the end of December 2020. At 31st December 2020, the Company consisted of 298 agents.

December Quarter Graphs

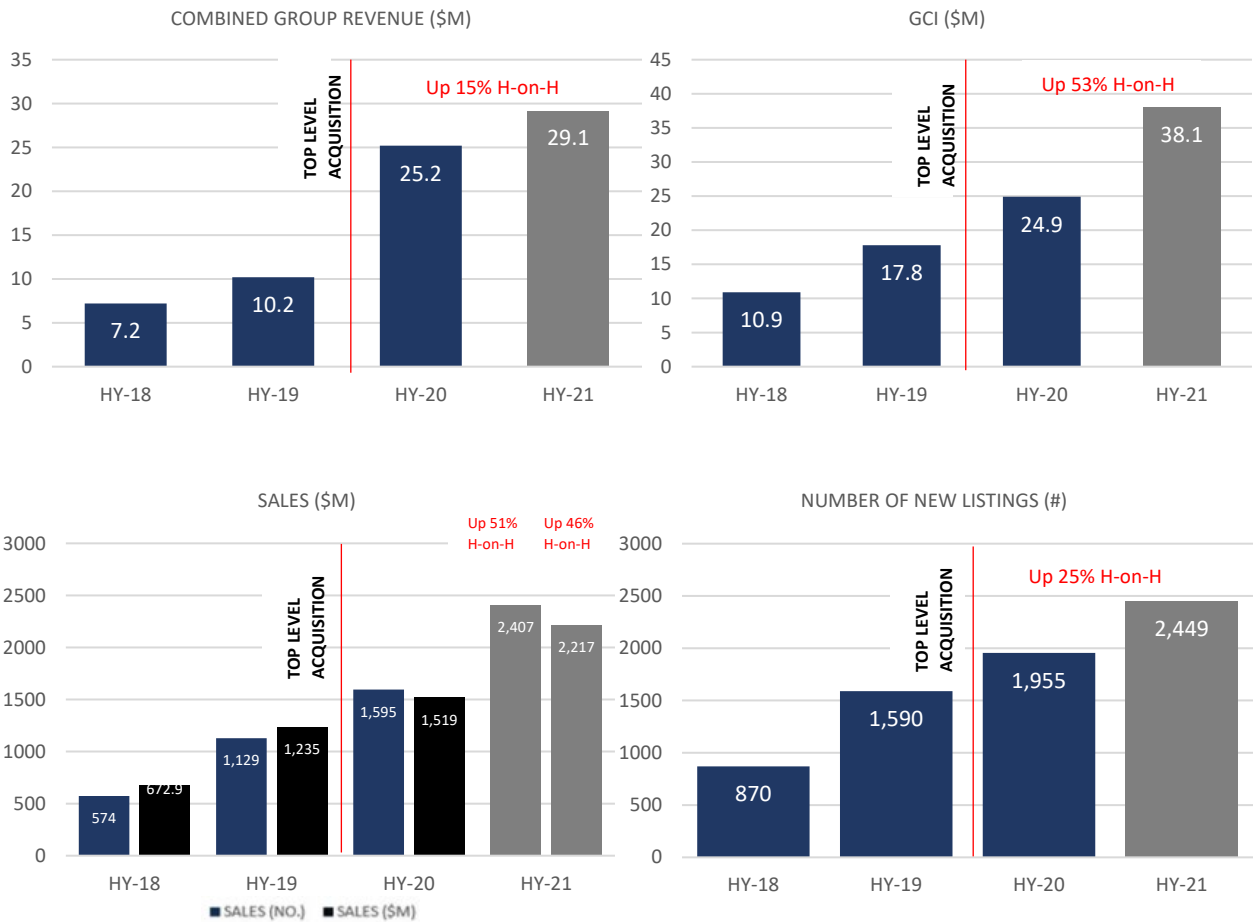




REAL ESTATE
FINANCE
SETTLEMENT
INSURANCE



Half Yearly Graphs³



³ HY Figures are pro-forma to acquisition of Top Level Real Estate.

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

The HY21 results, as shown in the above graphs, demonstrates our model has significant upside based on what we have achieved in the short time of just over three years.

We have achieved a positive unaudited EBITDA for the HY of \$2.8 million gross of government incentives and \$1.6 million net, which was driven by a record combined revenue of \$29 million.

With prudent business continuity measures taken during the COVID-19 pandemic, our business is now benefiting significantly from an Australian housing market that has entered 2021 on a growth track.

It has been an extremely busy half year with a strong pipeline of listings into 2021 that positions us for another strong second half.

In addition to the strong results, we are cash flow positive and well financed having recently received overwhelming shareholder support for a new long-term funding package with private investment company Peters Investments while Macquarie Bank continues to be our primary debt funder for a further two years.

Looking forward, the priority of the board and the Company is to maintain a healthy balance sheet as well as provide and deliver essential services and support to our agents and our customers which will enable a stronger sustainable and financial position in the years ahead for our shareholders.

With a strong balance sheet and the support of Peters Investments along with a new refinanced debt facility, we are well placed to deliver on our growth prospects nationally in 2021 and beyond.

Cashflow commentary

The Agency Group reported Receipts from Customers of \$34 million for the HY21 period and \$19 million for December Quarter up from \$15.6 million in the September Quarter.

Cash and cash equivalents as at 31st December 2020 were \$5.5 million.

Government incentives through Cashflow boost and Job Keeper (Federal Government) wound down in the previous quarter and so were significantly reduced in the current period. With the improved operating cash flows the Group was able to extinguish its payroll tax payment plan and bring up to date the deferred payment terms allowed during the advent of COVID-19. These are reflected under staff costs in the operating cash flow activities.

Payments to related parties and their associates included payments for executive director salaries and non-executive director fees for the quarter totalling \$290k.

Strategic Partnership with Managex

During the HY, The Agency also settled the sale of its West Coast Property management portfolio to Managex Funds Management Pty Ltd and applied the net funds received of \$2.8 million to debt reduction.⁴

⁴ Refer to ASX announcement dated 9 September 2020

The sale is part of a strategic partnership between The Agency and Managex, a private company chaired by Future Fund board member John Poynton with Kim Slatyer as Managing Director.

Under a reciprocal referral agreement, all sales leads that come from Managex are referred in first instance to The Agency while all WA property management leads from The Agency will be referred to Managex.

The parties are proactively working together to identify future acquisition opportunities. The strategic partnership will drive sales team recruitment and additional property sales from the Managex acquired rent rolls to The Agency.

POST QUARTER CORPORATE UPDATE

Long Term Funding Package Overwhelmingly Approved

As previously announced, the Company secured a long-term \$11 million funding package providing the Company with an opportunity to strengthen its financial position and balance sheet to continue its national growth plans.⁵

The funding package consisted of:

- \$5 million in Convertible Notes to be issued to private investment company Peters Investments Pty Ltd
- \$1 million of Convertible Notes previously issued to Peters Investments Pty Ltd
- An extended \$5 million Macquarie Bank primary secured debt facility (down from \$12.1 million)

On 4th January 2021, The Agency's shareholders at an Annual General Meeting overwhelmingly supported the long-term funding package with Peters Investments and continuing support from Macquarie Bank via the reduced debt position.⁶

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

ENDS

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⁵ Refer to ASX announcement dated 29 October 2020

⁶ Refer to ASX announcement dated 4 January 2021

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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	19,007	34,606
1.2 Payments for		
(a) research and development	(4)	(22)
(b) product manufacturing and operating costs	(12,070)	(21,310)
(c) advertising and marketing	(284)	(496)
(d) leased assets	(9)	(17)
(e) staff costs	(5,174)	(7,182)
(f) administration and corporate costs	(2,149)	(3,481)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	30
1.5 Interest and other costs of finance paid	(244)	(583)
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	(927)	1,545
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(15)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities (sale of WA Rent Roll)	2,777	2,777
	(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 (Transfer to Managex of WA Rent Roll bank accounts)	-	(154)
2.6	Net cash from / (used in) investing activities	2,770	2,608

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	(220)	(267)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(2,789)	(2,805)
3.7	Transaction costs related to loans and borrowings	(336)	(520)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(3,345)	(3,592)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,040	4,977
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(927)	1,545
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,770	2,608

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,345)	(3,592)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,538	5,538

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	4,895	6,388
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (bank guarantees)	643	652
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,538	7,040

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	290
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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.	<ol style="list-style-type: none"> 1. \$9.3m loan from Macquarie Bank, secured by 1st ranking charge over all group companies, Interest margin rate 8.5% ⁽¹⁾ 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 31 Dec 2020. (Subsequently repaid in full on 4th January 2021) 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. (Conversion terms amended at AGM held 4-Jan-21 from \$0.04 to \$0.027 and interest rate from 9% to 8% with a new maturity date of 31 March 2023) <p>⁽¹⁾ (Refer to ASX Announcement dated 5-Jan 2021 titled 'Updated loan documentation executed'. Having received shareholder approval the Company issued a secured \$5 million in Convertible Notes to private investment company Peters Investments Pty Ltd, with \$4.315M paid down on the Macquarie Bank loan to \$5.0M with a new repayment period of 4-Jan23.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(927)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,538
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,538
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: N/A	

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: N/A

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: N/A

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: 22 January 2021

Authorised by: The Board.....
(Name of body or officer authorising release – see note 4)

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.

	Current quarter \$A'000's	Previous Qtr \$A'000's
Cash at bank	3,296	4,788
Cash classified as		
- Cash on deposits	472	482
- Cash on deposit with funder plus bank guarantees	770	770
- Convertible Note Funds	1,000	1,000
	5,538	7,040