

ASX Release
29 April 2021

MARCH QUARTER 2021 UPDATE & APPENDIX 4C

Highlights¹

- Combined group revenue of \$15M – up 39% from \$10.8M revenue in previous corresponding period (PCP) - with a record \$6.4M revenue for March
- Combined Gross Commission Income (GCI) of \$20M - up 65% from \$12.1M GCI in PCP - with record \$9.3M for March
- Unaudited EBITDA of \$554,000 for the March Quarter (\$807,000 for month of March off back of record GCI)
- 1,232 sales valued at \$1.2B (compared to 801 sales valued at \$748M in PCP) and 1,299 listings (compared to 1,001 listings in PCP)
- Macquarie Bank reduction of interest rate margin from 8.50% p.a. to 4.75% p.a.
- Properties under Management (PuM) 3,606 as at end of March 21 (3,576 end of Dec 20)
- Cash and cash equivalents at 31st March 2021 of \$4.6M
- QLD operation and The Agency Commercial division launched
- Key appointment of highly experienced industry executive Geoff Lucas as Group CEO
- \$11M long-term funding package overwhelmingly approved by shareholders

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

“When considering the seasonally quiet months of January and February, the March quarter 2021 results were positive and reflect the continuing growth of the Company coupled with the rebounding property market nationally during the period.

Results for month of March were particularly encouraging, with a record revenue of \$6.4 million and \$9.3 million of GCI. We also welcomed highly experienced industry executive Geoff Lucas as Group CEO during the period, a significant validation of all we have achieved at The Agency Group and our future plans.

“With a strengthened balance sheet and improving financial performance, we will continue to work on delivering the best service to clients and customers nationally with a focus on maximising value to our shareholders.”

The Agency Group Australia (**ASX:AU1**) (“**The Agency**” or “**the Company**”) has achieved solid operational and financial results for the March Quarter 2021, exceeding budgets.

GCI for the period was \$20M, the second highest quarter for GCI on record. For the month of March, GCI eclipsed previous records with \$9.3M reported across the combined group. GCI for the quarter was based on sales valued at \$1,153B.

Unaudited Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA pre AASB16) for March Quarter was \$554,000. This was impacted by the seasonally quiet months of January and February, as well as

¹ Revenue figures provided in this announcement are unaudited and EBITDA provided in this announcement is pre -adoption of AASB16

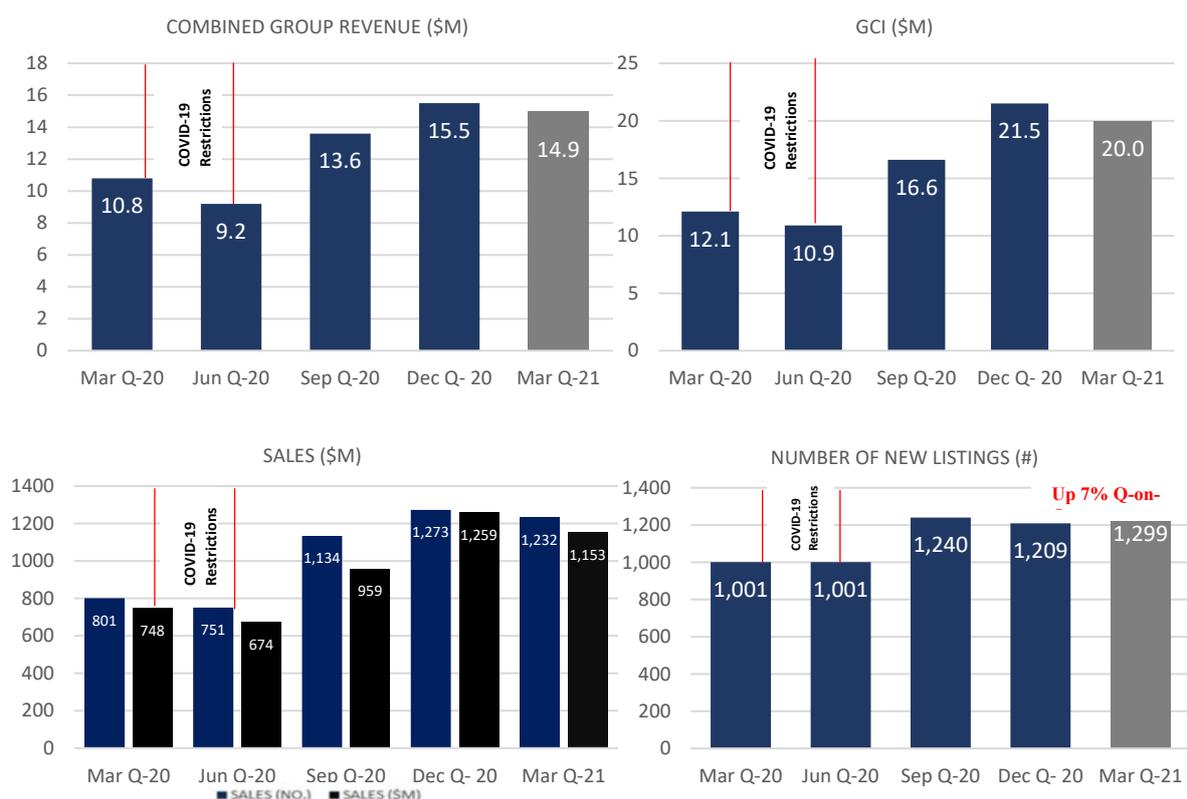


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abnormal costs associated with the company's defence of various actions brought by entities associated with former Director Mitchell Atkins.²

GCI of \$9.3M in March, contributing to \$807,000 EBITDA for the month, demonstrates the inflection point of scale on profitability.

As at 31st March, The Agency had 300 sales agents, in line with the previous period and 3,606 PuM (up from 3,576 previous quarter).



Cashflow commentary

The Agency Group reported receipts from customers of \$17.5M for the period. Cash and cash equivalents as at 31st March 2021 were \$4.6M.

Cashflow from Operating Activities was (\$641,000). This included an amount of \$509,000 in costs associated with defending the various legal (and other) actions brought by MCL 105 Pty Ltd and Magnolia Capital Pty Ltd.

In addition, the Company made prior period BAS payments (delayed due to ATO COVID payment extensions).

Within Financing Costs the amount of \$400,000 relates to a deposit placed with the Federal Court's trust until the matter with Magnolia Capital Pty Ltd, which is in dispute, is finalised.

² Refer to ASX announcement dated 20th January 2021

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As at 1st April 2021, Macquarie Bank has agreed to reduce its interest rate margin from 8.50% p.a. to 4.75% p.a. in recognition of the continued strong financial performance of the Company. This will result in lower interest payments in future periods.

Payments to related parties and their associates included payments for executive director salaries and non-executive director fees for the quarter totalling \$241,000, which is largely due to three of the four board members being executives of the Company.

Long Term Funding Package Overwhelmingly Approved

As previously announced, The Agency 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.³

The funding package consisted of:

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

The above funding packages were overwhelmingly supported by The Agency's shareholders at its Annual General Meeting On 4th January 2021.⁴

On 11 February 2021 Peters Investments Pty Ltd converted \$3M of its Convertible Notes to ordinary shares in the Company, reducing the Company debt position to \$8.15M and seeing Peters Investments Pty Ltd emerge as a major shareholder in the Company with an interest of 30.24%.

Appointment of Geoff Lucas as Group CEO, QLD operation and The Agency Commercial division launched

In March, highly experienced industry executive, Mr Geoff Lucas, was appointed as Group CEO.⁵

Mr Lucas has significant executive experience across a number of industries, including two periods with real estate company McGrath Limited (CEO from 2018 to 2020 and COO from 2008 to 2016).

In deciding to join The Agency, Mr Lucas indicated he was impressed with the resilience and commitment to its customers, people and strategy during its formative stages and believes the business is now positioned, through its strengthened balance sheet, to be active in consolidation of the industry.

In addition, The Agency has expanded to Queensland, starting a Brisbane office, to strategically help The Agency clients wanting to buy and sell in popular Sydney, Melbourne, Perth, and Brisbane network.

The Agency has also launched a new commercial division, headed by former Ray White executive Mark Williams, which it intends to grow in-line with demand it is experiencing on the east coast of Australia.

³ Refer to ASX announcement dated 29 October 2020

⁴ Refer to ASX announcement dated 4 January 2021

⁵ Refer to ASX announcement dated 23 March 2021

Market commentary

2021 has begun with positive news for the property market. In March 2021, economists from ANZ upped their house price forecasts to predict a nationwide increase of 17% over 2021. One year ago, the auction clearance rate stood at 37.3%, but at the end of March 2021 it was 84.4% across the capital cities.

CoreLogic's national home value index reflected this positivity, rising 2.8% in March alone – its fastest growth in 32 years. Overall, The Agency saw a rise of 5.8% in national dwelling values over the first quarter of 2021 and a 6.2% increase over the past year to reach a median of \$614,768.

To access a copy of the full The Agency Property Report Autumn 2021, with detailed commentary on the key markets of Melbourne, Sydney, Perth, Brisbane go to: <https://theagency.com.au/property-report/153/apr-2021>.

ENDS

Announcement authorised for release by the Board of The Agency Group Australia Limited.

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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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	17,533	52,139
1.2 Payments for		
(a) research and development	-	(22)
(b) product manufacturing and operating costs	(12,044)	(33,354)
(c) advertising and marketing	(214)	(710)
(d) leased assets	(11)	(28)
(e) staff costs (incl. govt grants or incentives)	(3,449)	(10,631)
(f) administration and corporate costs	(1,800)	(5,281)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	33
1.5 Interest and other costs of finance paid	(150)	(733)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) – See commentary as attached	(509)	(909)
1.9 Net cash from / (used in) operating activities	(641)	904

Note: 1.2 includes prior period BAS payments (delayed due to COVID payment extensions)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(70)	(85)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities (sale of WA Rent Roll)	-	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	(70)	2,538

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	5,000	5,000
3.3 Proceeds from exercise of options	392	392
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(66)	(333)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(5,066)	(7,871)
3.7 Transaction costs related to loans and borrowings	(105)	(625)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(400)	(400)
3.10 Net cash from / (used in) financing activities	(245)	(3,837)

Note 3.9 Other: A \$400,000 deposit was placed with the Federal Court's trust accounts until a legal matter (which is in dispute) is settled in relation to financing costs associated to funding with a previous mandate with Magnolia Capital.

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	5,538	4,977
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(641)	904
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(70)	2,538
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(245)	(3,837)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,582	4,582

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	3,969	4,895
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (bank guarantees)	613	643
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,582	5,538

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	241
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	5,000	5,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	3,286	3,286
7.4 Total financing facilities	8,286	8,286
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"> \$5m loan from Macquarie Bank, secured by 1st ranking charge over all group companies, Interest margin rate 4.75% repayable on 4-Jan 2023. \$3.286M Convertible Note, secured by 2nd ranking charge over all group companies, (Conversion at \$0.027 per share and interest rate 8% with a maturity date of 31 March 2023) 	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(641)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,582
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,582
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	
<i>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.</i>	

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 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	3,969	3,296
Cash classified as		
- Cash on deposits	-	472

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

- Cash on deposit with funder plus bank guarantees	613	770
- Convertible Note Funds	-	1,000
	4,582	5,538