

ASX Release
22 February 2024

1H FY24 FINANCIAL AND OPERATIONAL UPDATE

THE AGENCY ACHIEVES RECORD HALF OF EXCHANGES AND GROSS COMMISSION INCOME.

Highlights

	1H FY23	1H FY22	% Change
Revenue	\$43.9m	\$37.5m	+17.2%
Underlying EBITDA – pre AASB16	\$0.56m	(\$0.95m)	n.m.
GCI	\$56.9m	\$45.7m	+24.5%
Gross Value of Properties Sold	\$3.3bn	\$2.6bn	+28.7%
Number of Properties Sold	3,115	2,847	+9.4%

National real estate company The Agency Group Australia (**ASX:AU1**) (“**The Agency**” or “**the Company**”) has today delivered 1H FY24 financial results confirming continued strong growth in key metrics.

During 1H FY24, The Agency sold 3,115 properties, which was a 9.4% increase on the prior corresponding period (2,847 properties in 1H FY23). An increased contribution of sales from higher value eastern seaboard markets, and consequently higher average selling prices resulted in \$3.3bn of property sold by The Agency during the period, up 28.7% on the prior corresponding period result (\$2.6bn in 1H FY23).

The value of property sold resulted in a record \$56.9m Gross Commission Income (GCI) in the period (1H FY23: \$45.7m), a 24.5% increase. The change in state mix¹ of sales resulted in revenue growth below GCI growth, with revenue for the half increasing 17% to \$43.9m (1H FY23: \$37.5m).

The Group’s Property Management business has also achieved a new record, with a focus on improved growth and efficiencies resulting in an 18% increase in management fees from properties under management (1H FY24: \$4.13m, 1H FY23: \$3.50m).

At balance date the Group manages 10,092 (31 Dec 2022: 5,868) properties with an asset value of some \$9bn. The property management business is comprised of 5,089 (31 Dec 2022: 4908) that are owned by the Agency and 5,003 (31 Dec 2022: 960) externally owned management rights.

¹ According to accounting standards, recognition of revenue is dependent on the engagement mechanism of the Agent. A sale by a payroll agent will result as revenue equal to GCI, with an agent commission expense in Cost of Sales. A sale by a non payroll independent contractor agent, revenue is equal to The Agency share GCI. There is no cost of sale expense for a non payroll agent. As a general rule, Western Australia agents are predominantly Payroll agents, while East Coast agents are predominantly non payroll agents.

Total rent collected for owned and managed portfolios amounted to \$135.0m for the half (31 Dec 2022: \$73.8m)

Under accounting standards, the value of organically generated growth in the number of properties under management is not included as an asset on the balance sheet or as part of statutory net assets. Management's assessment of the value of our property management and remaining mortgage book was a combined value of \$29.31m² (30 June 2023: \$27.67m), and underpinned an Estimated Net Assets for Shareholders of \$29.59m³ (30 June 2023: \$29.11m).

On a Group basis, revenue growth, along with disciplined approach to operating expenses resulted in an Underlying EBITDA (Pre AASB16) for the 1H FY24 period of +\$0.56m (1H FY23: -\$0.95m).

As at 31 December 2023, the Group's cash and cash equivalents was \$4.70m (30 June 2022: \$4.63m).

Commentary

Commenting on the results and outlook, The Agency Managing Director & CEO Geoff Lucas said, "We are pleased to be reporting a record half result for number of properties sold and resulting Gross Commission Income generated. Furthermore, we are pleased to have moved through the critical mass stage for our business now generating a positive EBITDA result, with \$0.56m EBITDA recorded. This is an important inflection point for our business, and coupled with key growth metrics in Sales and Property Management asset growth, establishes a platform for sustainable EBITDA growth into the future. We remain disciplined with operating costs, however continue to undertake selected investment initiatives that provide a solid foundation for The Agency to continue to grow geographical territories.

"In the 6 months since 30 June 2023, we've continued to increase the quality of our sales team. Across the half, we increased our team to 411 property partners as at 31 December 2023, compared to 399 as at 30 June 2023.

"Despite achieving our highest sales performance yet for a half year, our \$56.9m GCI is a small fraction of the \$6.2 billion⁴ total annual Australian residential real estate commissions pool. Our business is well positioned to continue growing our share of this pool.

Outlook

"As our brand continues to generate market awareness and scale, we are seeing an increase in agents and franchise principals alike being attracted to our business. Our contemporary business model is free from the traditional franchise restrictions and constraints. It also alleviates agents from the distractions and the administrative burden associated with operating an office. Pleasingly a number of our recent recruits have

² Management valuation of the Property Management portfolio is calculated on a blended valuation multiple of 3.35x on Q2 FY24 Annualised Property Management fees and 2.25x Net Trail Income relating to the remaining Mortgage Book (combined value of \$29.31m).

³ Only \$9.35m of property management value is held on the Balance Sheet as an intangible asset, leaving \$19.96m value off balance sheet. Adjusted for this off balance sheet assets, Estimated Net Assets was \$29.96m at 31 December 2023.

⁴ Assessed at 1.50% Average Commission Rate of CY23 Annual Gross Sales Volume of \$416.1Bn (CoreLogic January 2024 Monthly Housing Chart Pack)

already achieved some significant results because of the benefits of our model and are becoming brand advocates for our business.

“We are a relatively new business which has attracted 411 agents in our seven years of operation. With the evolving industry dynamic we have highlighted, we believe there is immense opportunity for continued growth in the number of transactions. These sale transactions are ultimately managed by our property partners, and continued growth in our sales team within The Agency across Australia remains a key growth metric for The Agency. As increasing numbers of sales agents become familiar with the benefits of our contemporary model and powerful brand, growth is becoming easier, not harder. Continued revenue growth will allow us to further fractionalise our cost structure and generate economies of scale. We are focused on our strategic objectives to deliver the best business model and environment for real estate professionals to operate in.”

Mr Lucas continued “In terms of price movements, we have estimated that national price movement will be negative 1% to positive 3% across calendar year 2024. We caution however there are many markets within each state market, and individual markets will vary within this range. The lower rate of growth this year will be the result of higher interest rates remaining for longer than many originally anticipated. As we are at, or near the top of the current interest rate cycle, Australian families are now provided greater certainty around mortgage costs, creating a safer transactional environment with less price volatility than experienced in recent periods. We consequently expect slightly higher transaction volumes across the year, and forecast market volumes to continue to transact around decade national transaction volume average levels. This increased supply of volume compared to CY2023 will provide a buffer against continued aggressive price increases which were experienced during CY2023.

ENDS

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

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