

ASX Release
29th October 2020

SEPTEMBER QUARTER 2020 UPDATE & APPENDIX 4C

THE AGENCY DELIVERS HIGHEST QUARTERLY RESULTS

ALL-TIME HIGH EBITDA, CASHFLOW, REVENUE & STRONG SALES PIPELINE

Highlights¹

- Unaudited EBITDA of A\$723k for September Quarter (excluding any Government incentives)
- Positive operational cash flow of \$2.5M
- Combined Gross Commission Income (GCI) of \$16.6M, with record \$6.4M GCI for September month
- Combined group revenue of \$13.59M, with \$5.2M revenue for September month
- 1,117 sales across the combined group valued at \$948M
- 1,240 listings across the combined group
- Cash and cash equivalents at 30th September 2020 of \$7M
- ~\$3.5M sale of WA property management portfolio to, and entering into of strategic alliance with, Managex Funds Management Pty Ltd settled in the first week of October².
- Group total assets (rent roll and mortgage book) now valued at ~\$27M
- Post end of quarter long-term \$11M funding package secured³

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

"The September quarter results are a watershed moment in The Agency's short history as they represent our most successful quarterly period across all key metrics.

"We are now reaping the benefits of rebounding real estate markets in WA and NSW coupled with prudent business continuity measures taken during the COVID-19 pandemic.

"The Agency has experienced an extremely busy quarter with listings continuing to grow, providing a strong sales pipeline to Christmas.

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

² Refer to ASX announcement dated 9th September 2020

³ Refer to ASX announcement dated 29th October 2020

The Agency Group Australia (**ASX:AU1**) (“**The Agency**” or “**the Company**”) has delivered exceptional September quarterly results across all key metrics, highlighting the company’s continued rebound from the height of the COVID-19 pandemic and strong sales pipeline.

Unaudited Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$723,000 and positive operational cashflow of \$2.5 million for the quarter.

Combined group revenue for the September Quarter was \$13.6 million of which \$5.2 million was reported in September, the Company’s highest ever quarterly and monthly combined group revenue result.

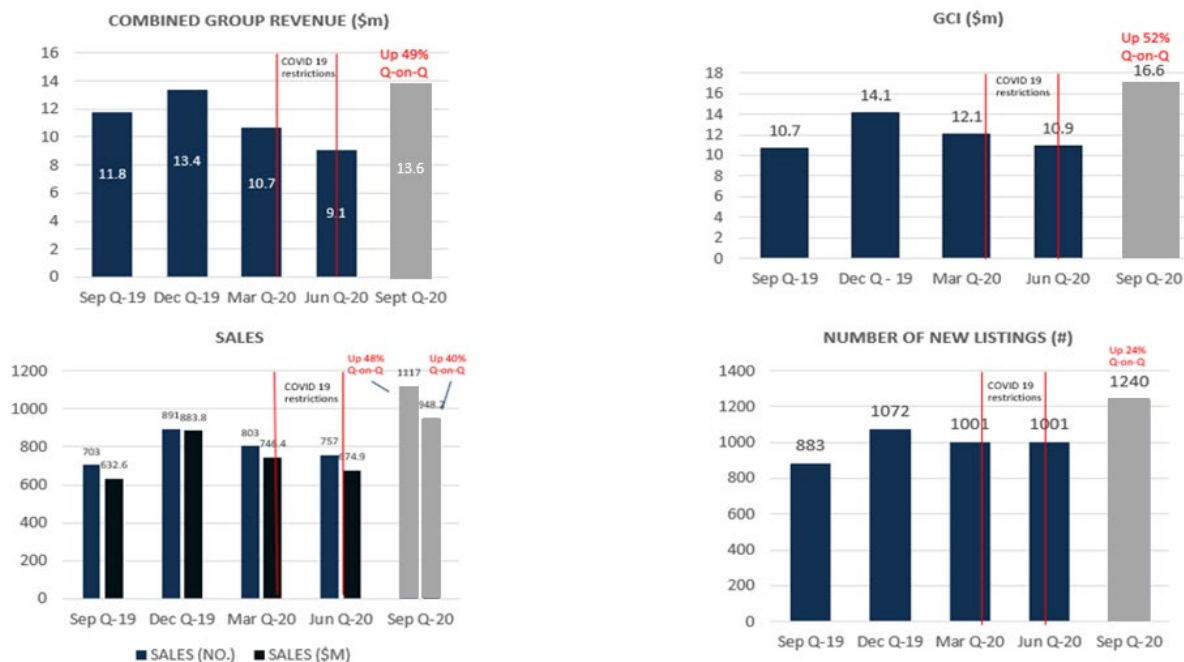
Gross Commission Income (GCI) was \$16.6 million, its highest quarter for GCI on record. For September, The Agency (West Coast) and The Agency (East Coast) delivered GCI of \$2.9 million and \$3.5 million respectively, for a total of \$6.4 million, eclipsing previous records.

GCI for the quarter was based on 1,117 exchanges across the combined group, an all-time high, with The Agency (East Coast) accounting for 412 exchanges and West Coast (incorporating The Agency and SLP brands) accounting for 705 exchanges.

The Agency sold a combined \$948.2 million worth of property during the September quarter, up from \$678.8 million in the June Quarter. Of this, \$604 million worth of property was sold by The Agency East Coast and \$344 million for The Agency West Coast, which also reported a monthly record 287 sales for September valued at \$140 million.

For the September Quarter, the combined group reported 1,240 listings and 963 settlements.

September quarter numbers reflect limited activity from Victoria. With recent lifting of COVID-19 restrictions, The Agency is expecting strong listings in Melbourne in the December quarter.



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“In addition to the strong quarterly results, we have recently achieved two significant milestones which will cement our company’s continuing growth prospects,” Mr Niardone said.

“With the continuing support of our primary debt funder Macquarie Bank and private investment company Peters Investments, we have recently secured a long-term funding package that provides us with greater certainty across the business.

“We have also formed a strategic alliance with Managex in Perth. This will drive sales team recruitment and additional property sales going forward.

“These major achievements, coupled with the solid September Quarter results, highlights the robustness of our business model and places us in a strong position to significantly accelerate our growth prospects nationally.” Mr Niardone added.

Cashflow commentary

The Agency Group reported Receipts from Customers of \$15.6 million for the period, up from \$12.6 million in the June Quarter.

Government incentives through Cashflow boost and Job Keeper (Federal Government) and refunded or delayed payments of payroll tax (various State Governments) have been received during the quarter and included in operational cashflows.

WA Property Management Portfolio Sale

During the quarter, The Agency announced it would be selling its West Coast property management portfolio (“the transaction”) to Managex Funds Management Pty Ltd (“Managex”). This sale has now been settled with the net proceeds of \$2.8 million received in the first week of October and paid directly to Macquarie Bank to reduce secured debt. The balance is to be paid within 6 months.

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. Managex is looking for further opportunities in WA and nationally.

Both parties have entered a reciprocal referral agreement in WA whereby 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 will proactively work 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.

Managex, who secured debt funding for the acquisition from Judo Bank, will use The Agency Group brand in WA with staff to be based at The Agency’s Perth office.

The sales agreement does not include The Agency Group’s East Coast property management business.

Payments to related parties and their associates

Payments for executive director fees for the quarter totalled \$191,000, which relates to board fees and executive remuneration, and \$9,000 for non-executive director fees.

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

ENDS

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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")

30 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,599	15,599
1.2 Payments for		
(a) research and development	(18)	(18)
(b) product manufacturing and operating costs	(9,240)	(9,240)
(c) advertising and marketing	(212)	(212)
(d) leased assets	(8)	(8)
(e) staff costs	(2,008)	(2,008)
(f) administration and corporate costs	(1,332)	(1,332)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	30	30
1.5 Interest and other costs of finance paid	(339)	(339)
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	2,472	2,472
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(9)	(9)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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 other entities		
2.4	Dividends received (see note 3)		
2.5	Other (Transfer to Managex of WA Rent Roll bank accounts)	(154)	(154)
2.6	Net cash from / (used in) investing activities	(163)	(163)

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	(47)	(47)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(16)	(16)
3.7	Transaction costs related to loans and borrowings	(184)	(184)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(247)	(247)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,977	4,977
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,472	2,472
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(163)	(163)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(247)	(247)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,040	7,040

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	6,388	4,325
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	652	652
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,040	4,977

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	201
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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. \$12.093m loan from Macquarie Bank, secured by 1st ranking charge over all group companies, Interest margin rate 8.5%, due for repayment on or before 30 September 2020⁽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 to 31 Dec 2020. 3. 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. <p>⁽¹⁾ (Refer to ASX Announcement dated 29-Oct 2020 titled ' \$11M funding package sets foundation for growth'. The Company has now secured \$5 million in Convertible Notes to be issued to private investment company Peters Investments Pty Ltd, and It has now received confirmation from Macquarie Bank that, subject to shareholder approval for the additional funding package (Convertible Notes) of \$5M, it would reduce its primary secured debt position from ~\$12 million to \$5 million and extend the repayment period to 24 months.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	2,472
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,040
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	7,040
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: 29 October 2020

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	4,788	2,725
Cash classified as		
- Cash on deposits	482	482
- Cash on deposit with funder plus bank guarantees	770	770
- Convertible Note Funds	1,000	1,000
	7,040	4,977