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ASX Announcement

3 September 2018

The Agency achieves record revenue of \$16.8m: +75% year-on-year

Highlights:

- Combined revenues for the Company up ~75% year-on-year to \$16.8m as at 30 June 2018, up from \$9.6m, the majority of which has been organic growth via sales agent recruitment.
- 67% y-o-y increase in gross commissions to \$10.5m (2017: \$6.3m);
- Revenue results by division:

	FY17	FY18	YOY Change
The Agency (WA)	\$5.3m	\$8.9m	66%
Property Management	\$0.255m	\$1.16m	354%
Mortgage & Finance Solutions, Landmark Settlements and other income	\$4.1m	\$4.7m	
Sell Lease Property (since settlement - Feb 2018)		\$2m	

- 185 sales agents recruited to The Agency (WA) and Sell Lease Property to June 30 2018, up from 50 in 2017;
- The Agency awarded Top Office for Listings Sold and Top Office by Value Sold at REIWA.com Awards (667 sales worth over \$400 million in past 12 months);
- Fair value of rent roll and mortgage book (excluding Vicus) has risen to ~ \$7m; and
- Company focused on achieving break-even in coming 12 months.

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Leading disruptive, high-growth real estate agency The Agency Group (ASX: AU1) (“The Agency” or “the Company”), has had a strong 12 months of solid organic growth, completing and integrating several key acquisitions, opening new offices, achieving top office rankings in WA for number and value of sales and delivering robust revenue growth in a WA real estate market that was still declining.

Combined revenues for the Company are up approx. 75% year-on-year to a record \$16,823,018 as at 30 June 2018, from \$9,590,540. This follows plus 70% growth in the prior year.

“The Agency, which has only been operating for two years, is in a sustained growth phase and therefore has made significant investment in expanding its business, even though organic growth via recruitment had played a major part we have invested in acquisitions, in technology and in our people and processes,” said The Agency Managing Director, Mr. Paul Niardone.

“We have also used our cashflows to fund the establishment and staffing of two offices, one in Albert Park in Victoria and on the Gold Coast, which we believe will add revenue to our business in future financial years.

“In a market where real estate companies are contracting or seeing little to no growth, we are achieving strong revenue growth across all business units in our Group. We are confident that this will continue via organic growth which is driven by recruitment due to the attractiveness of our model. This combined with strategic acquisitions and the planned merging of Top Level (The Agency East Coast) will continue to contribute future high growth,” he added.

The Agency was awarded Top Office for Listings Sold and Top Office by Value Sold in Western Australia for 2018 at the annual REIWA.com Awards, held on Saturday 25th August 2018 in Perth.

It reported 667 sales worth over \$400 million for the past 12 months, which was 200 more sales and over \$50 million more property sold than second place. The Agency also finished fourth in project market sales for the year.

Sell Lease Property (SLP) would have come in second place for Listings Sold with 659 sales for the year, however were ineligible due to the change in ownership.

In addition to recording strong revenue growth, The Agency has also seen significant growth in its sale agent numbers with 185 agents across its The Agency (WA) and Sell Lease Property businesses, up from 50 at same time last year. The Company plans to continue to proactively recruit quality agents to these

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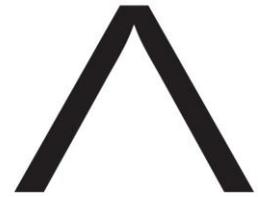
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businesses in future financial years as it continues its expansion of both businesses in Western Australia and nationally.

There remain significant intangible assets off the balance sheet, these include the rent roll and the Mortgage Book with a combined valuation of approximately \$7m (based on well established industry valuation metrics), both of which have grown from the previous year. These assets also now contribute an annuity income to the business of approx. \$3m per annum.

The significant increase in revenue was primarily due to a 67% y-o-y increase in gross commissions to \$10,528,108 (2017: \$6,335,430).

By division, revenue was as follows:

	FY17	FY18	YOY Change
The Agency (WA)	\$5.3m	\$8.9m	66%
Property Management	\$0.255m	\$1.16m	354%
Mortgage & Finance Solutions ,Landmark Settlements and other income	\$4.1m	\$4.7m	
Sell Lease Property (since settlement - Feb 2018)		\$2m	

As noted above, recently acquired Sell Lease Property delivered revenue of \$2,022,540 in the three full months post settlement of the acquisition (February 2018), proof the acquisition has and will continue to significantly benefit the Company.

Despite being in an aggressive growth phase, where revenues are a key indicator of success, The Agency is continuing to focus on achieving being break-even in the coming 12 months.

The Combined Group recorded an operational loss of approx. \$1.2m for FY18, against a statutory loss of \$3,845,928 (2017: \$3,804,242 loss), as a number of one off costs, totaling approx. \$2.5m, were expensed this year. These costs were largely associated with the acquisition of Beaufort Realty, Inglewood Estate

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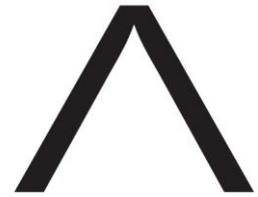
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Agency and Sell Lease Property, tougher with required establishment costs (i.e. rebranding, legal and technology costs, etc.).

The results also highlight the setup costs of expanding The Agency into key real estate markets outside of Western Australia, with the Consolidated Entity opening new high-profile offices on the Gold Coast and in Albert Park (Melbourne), where The Agency will benefit going forward from having a strong base for revenue growth in these key markets.

During the period the Company also recorded one-off costs associated with the creation of the Property Management division, the move to a new head office in Perth CBD and costs associated with The Agency rebranding and securing trademark protection for its brand nationally and globally.

“This up-front investment ensures the Consolidated Entity has the necessary foundations to continue to scale the business in Western Australia and nationally without any impediments of technology, processes, etc.” Mr. Niardone said.

“We are well positioned to maintain, or exceed, these revenue growth numbers with our cost base remaining stable,” he added.

In addition to continuing the recruitment and growth plans of its current business the Company is focused on completing the proposed acquisition of high growth east coast real estate firm Top Level Real Estate Pty Ltd (“Top Level”), which is at an advanced stage (Refer ASX announcements dated 13 August 2018 and 12 February 2018).

Ends

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