



REAL ESTATE
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24 July 2019

BALANCE SHEET SIGNIFICANTLY STRENGTHENED, ~A\$5.6M IN FUNDING SECURED, ~A\$5.8M OF DEBT CONVERTED

Highlights

- **Large Shareholders and new investor back model and strengthen balance sheet**
- **The Agency Group secures ~A\$5.6 million in funding, consisting of:**
 - ~\$1.1 million via Placement; and
 - ~\$4.5m via 4 for 7 Entitlement Offer.
- **The Company has also entered into agreements pursuant to which ~\$5.8m in existing debt will be converted into equity, reducing the total debt position by ~27%.**
- **Funds raised will be used to strengthen balance sheet with a further \$1.7 million to repay existing loans with ~\$1.1 million allocated for working capital**
- **\$2.2 million of funds raised allocated to fund further growth and acquisition initiatives**
- **Sydney-based boutique investment group Magnolia Capital to become a substantial shareholder with up to a ~18% holding**
- **Magnolia Capital Director Mitchell Atkins to join The Agency board as a Non-Executive Director**
- **Honan Insurance Group has agreed to invest and enter into a strategic relationship with The Agency**
- **The Company has received firm commitments to underwrite any shortfall to the Entitlement Offer**
- **Patersons Securities and Aura Capital to act as Joint Lead Managers of the Placement and Entitlement Offer**

The Agency Group Australia (ASX:AU1) (“The Agency” or “the Company”) will continue to accelerate its growth following confirmation that it has received commitments to raise ~A\$1.1 million via a Placement under its existing capacity under ASX LR 7.1, with two new strategic investors to become shareholders, and ~\$4.5 million via a 4:7 Entitlement Offer.

The Company has also entered into agreements pursuant to which ~\$5.8m in debt will be converted into equity subject to completion of the Placement and the Entitlement Offer and receipt of prior shareholder approval (“Debt-to-Equity Conversion”).

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Funds from the transaction (including debt-to-equity conversions) will primarily be used to strengthen the Company balance sheet with ~\$5.8m in existing debt converted to equity as well as a further ~\$1.7 million applied to repayment of existing loans, with \$1.1 million allocated for working capital and \$2.2 million allocated to fund further growth and acquisition initiatives.

Funds will build on The Agency Group's strong operational performance with Gross Commission Income (GCI) for June Quarter of \$10 million, the second consecutive quarter of \$10 million GCI, achieved in what has been a prolonged property market downturn.

In addition, The Agency Group boasts significant assets including a rent roll and Mortgage Book with a combined value of \$33.8 million.

The Agency's Managing Director, Paul Niardone, said:

"Through this transaction we will strengthen our balance sheet, by converting a significant level of debt and attracting new funds into the business. At the same time, we have attracted two new strategic shareholders who understand our business model and can see how it has disrupted, and will continue to disrupt, the Australian real estate market.

"With a strong balance sheet and highly successful business model, we plan to accelerate our growth plans in key real estate markets during a time where our peers are stagnating or contracting."

Strategic investment from Magnolia Capital and Honan Insurance Group

Sydney-based diversified financial services and property group Magnolia Capital has agreed to an investment of:

- \$600,000 through the Placement by subscription for 9.2 million shares; and
- up to \$2.9 million through the issue of up to 44.6 million shares via a firm commitment to subscribe for a proportional amount of shortfall in the Entitlement Offer.

Subject to completion of the capital raising, Magnolia Capital will hold up to approximately 53.8 million shares in The Agency Group equivalent to a 17.9% interest in the Company based on 301.4 million pro-forma shares outstanding.

Honan Insurance Group has agreed to invest \$500,000 through the Placement by subscription for 7.7 million shares for a 3% interest in the holding, based on 301.6 million pro-forma shares outstanding.



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Appointment of Magnolia Capital Director, Mitchell Atkins, to The Agency Board & Board Renewal Strategy

Subject to completion of the capital raising, Magnolia Capital Director Mr Mitchell Atkins will be appointed to The Agency Board as a Non-Executive Director.

Mitchell Atkins currently serves as Founder and CEO at Magnolia Capital Group, a diversified group with direct investments in fitness, property, financial services and advisory businesses.

Magnolia Capital Group, led by Mr Atkins, has recently transacted over A\$200m across a diverse range of development, debt and equity opportunities around Australia.

Investment in The Agency strengthens Magnolia's commitment to the real estate sector and will allow Magnolia's property related subsidiaries to support the Company's growth strategies.

Following Mr Atkins' appointment and as part of an ongoing process, the Board intends to implement a Board renewal strategy ahead of its upcoming Annual General Meeting with the intention of providing shareholders a balanced representation that capitalises on a broad range of skillsets with a strategic, long-term focus.

Magnolia Capital Director, Mitchell Atkins, said:

"The Agency network around Australia have built a strong, robust real estate business.

"We are excited to be joining The Agency team from a board perspective, capital and an operational perspective on their growth journey, and see a deep range of synergies between our existing operating business units and their core business as a whole. We're excited to be able to offer support across their finance, rental and sales businesses."

Strategic Relationship with Honan Insurance Group

Subject to completion of the Placement, it is also proposed The Agency and Honan Insurance Group enter into a strategic relationship agreement under which The Agency may receive access to Honan Group services, including access to the latest insurance technology, industry data and corporate advisory services. It is also envisioned that Honan Group may receive exclusive access and promotion of services to the Company's agents and landlords.

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Placement

The Placement comprises the issue of approximately 9.2 million new fully paid ordinary shares to Magnolia Capital and 7.7 million shares to Honan Insurance Group to raise approximately \$1.1 million. Subject to receipt of prior Shareholder approval at a general meeting to be convened shortly, the subscribers under the Placement will also receive 1 attaching option for every 2 shares subscribed for and issued on the terms set out below.

The Placement shares will be issued at a price of \$0.065 per share.

Entitlement Offer

The Company is proposing to undertake a four (4) for seven (7) Entitlement Offer comprising approximately 69.0 million new fully paid ordinary shares (together with one (1) free attaching option for every two (2) Shares subscribed for and issued with on the terms set out below) to raise approximately \$4.5 million.

The Company has received firm commitments to underwrite any shortfall to the Entitlement Offer.

All new shares issued will rank equally with existing shares on issue and the Company will apply for official quotation of the new shares.

Debt-to-Equity Conversion

In conjunction with the Entitlement Offer, the Company has entered into agreements pursuant to which \$5.8 million of debt will be converted into approximately 89.1 million shares on the same terms as the Entitlement Offer (parties to the Debt-to-Equity Conversion will also receive 1 attaching option for every 2 shares issued on the terms set out below). The issue of the shares and options for the Debt-to-Equity Conversion is subject to receipt of prior shareholder approval at a general meeting to be convened shortly and completion of the Placement and Entitlement Offer amongst other conditions.

The Debt-To-Equity conversion will significantly reduce The Agency's debt position, primarily bank debt, from \$21.2 million to \$13.6 million. The Company is currently in discussions with a number of parties in relation to the refinance of its remaining debt position ahead of its maturity which occurs on 30 September 2019.

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Options

For every two shares issued under the Placement, Entitlement Offer and Debt-to-Equity Conversion, participants will receive one attaching option exercisable at \$0.065 at any time prior to 31 December 2020. The Company proposes to apply for quotation of the options.

In addition, subject to receipt of prior shareholder approval at a general meeting to be convened shortly, the Company proposes issue ~12.9 million options, on the same terms as for the Entitlement options to the Lead Managers and in respect to the Firm Commitments received for the Entitlement shortfall.

Indicative Capital Structure

Following the completion of the Placement, Entitlement Offer, Debt Conversion and other shares to be issued subject to receipt of prior shareholder approval, the Company's capital structure will appear be as follows:

	Shares	Amount	Options
Existing Shares	103,810,715	-	5,588,912
Placement	16,923,077	\$1,100,000	8,461,539
Total	120,733,124	\$1,100,000	14,050,454
Rights Issue (4:7)	68,990,357	\$4,484,373	34,495,179
Debt Conversion	89,120,418	\$5,792,827	44,560,209
Lead Manager and Firm commitment Options, Consultant Shares and Shares to be issued to Directors in lieu of fees	22,562,394		12,899,036
Total	301,406,292	\$11,377,200	106,004,875

The Company also has ~5.6million unlisted options on issue, with exercise prices between 30 cents and \$1.20

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Indicative Timetable (indicative only and subject to change)

Event	2019
Placement Settlement Date	26 July
Record Date for Entitlement Issue	2 August
General Meeting of Shareholders	28 August
Closing Date of Rights Issue	28 August
Shortfall Settled	2 September
Expected quotation of new securities	3 September

**Key events and dates contained in the table above are subject to change*

ENDS

If you require further information, please contact:

Investors

The Agency Australia Ltd

Paul Niardone

T: +61 08 9204 7955

Media

Chapter One Advisors

David Tasker / Colin Jacoby

T: +61 433 112 936 / +61 439 980 359

E: dtasker@chapteroneadvisors.com.au

About The Agency Group

The Agency Group Australia Ltd (AU1:ASX) (“The Agency Group”) is one of Australia’s fastest growing real estate agencies with the aim to disrupt the Australian real estate brokerage market, delivering high growth and generating value for customers.

The Agency Group currently has 272 agents operating across offices in Perth, Sydney, Melbourne, Gold Coast, Newcastle (NSW), Illawarra (NSW), Southern Highlands region (NSW) and Mandurah (WA). The Company specialises in property sales and property management with additional revenue generated from ancillary businesses.

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- As a B 2 B offering, The Agency Group provides agents with an enhanced fee offering to traditional franchise operations minus the administrative burden of a standalone operation. Agents are provided the option of premium, full-service support or greater independency with value services.
- The business has been built for scale with ability to materially grow to its number of agents and properties under management with limited capital expenditure or increase in corporate overheads.
- The Agency Group's broad product suite offers cross sell opportunities of complementary services.

About Magnolia Capital

Magnolia Group is a diversified financial services and property group of companies established by Mitchell Atkins. The Magnolia Group is engaged in a range of debt funding, direct equity investment, property consulting and advisory services. With two NSW-based offices and a recently completed transaction list of over \$200m, Magnolia Group is rapidly expanding. Magnolia Group has an excellent reputation for resolving complex funding and business challenges for its clients.

About Honan Insurance Group

Honan Insurance Group is an Australian owned insurance and financial services group established in 1964. The Company offers a full range of insurance risk and financial solutions. Honan has over 150 employees with offices in Melbourne, Sydney, Brisbane, Perth, New Zealand and Singapore. As a partner of the Worldwide Broker Network (WBN), Honan has the capability to advise and transact in over 100 countries. Over the years Honan has built a reputation for integrity, honesty and professionalism.

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