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# ASX ANNOUNCEMENT

30 August 2019

## STRONG FINANCIAL AND OPERATIONAL GROWTH CONTINUES

The Agency Group	FY2018	FY2019	% Change
<b>Total Revenue (m)</b>	<b>\$16.8</b>	<b>\$31.3</b>	<b>+ 86%</b>
<b>No. of Agents</b>	<b>185</b>	<b>272</b>	<b>+ 47%</b>
<b>Listings</b>	<b>2,401</b>	<b>3,430</b>	<b>+ 43%</b>
<b>No. of Properties Sold</b>	<b>667</b>	<b>2419</b>	<b>+ 263%</b>
<b>Properties Under Management</b>	<b>3,374</b>	<b>4,337</b>	<b>+ 29%</b>

Note: Financial figures are unaudited and take into account approx. six months of Top Level operations since formal acquisition in January 2019

### Highlights

- Group Revenue of A\$31.3M, up 86% year-on-year (FY18: \$16.8M)
- Strong growth across all key operating metrics (recruitment numbers, properties sold, listings, properties under management, Gross Commission Income, etc)
- Cash receipts of \$33M, up 120% year-on-year (FY18: \$15M), operating cash flow positive from June Quarter
- EBITDA loss of \$4.2M (2018: \$3.1M), which includes approx. \$1.3M of one-off non-operational costs
- Identified and will deliver in FY20 approx. \$2.8M of cost savings as successful integration of West Coast and East Coast businesses continues. \$1.3m of annualised benefits already implemented
- Cash at end of financial year \$2.6M (2018: \$1.02M)
- Balance sheet to be further strengthened by \$5.6M capital raising and \$5.8M debt to equity conversion<sup>1</sup>
- Strong performance achieved with less than 6 months of operational and financial integration with Top Level Real Estate Pty Ltd (acquired 11 January 2019)
- Combined East and West Coast businesses expected to further drive operational growth and efficiency savings from 2020 onwards
- Continues to attract and retain high quality agents and vendors through superior service offering and industry leading business model

<sup>1</sup> Refer ASX announcement dated 24 July 2019

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The Agency Group Australia (ASX:AU1) (“The Agency” or “the Company”) is pleased to announce its results for the for the 12 months ended 30 June 2019 (FY19), confirming that despite market conditions confirmed by industry peers as some of the worst in recent times its strong operational and financial growth has continued.

Though only operating The Agency business model for less than three years, for the FY2019 the Consolidated Entity reported Annual Group Revenue of \$31.3 million, an 86% increase year-on-year (FY2018: \$16.8 million) which further highlights the effectiveness of the Company’s disruptive model. This follows 75% growth and 70% growth during the prior two years.

The increase in revenue was primarily due to a 31% increase year-on-year in Combined Gross Commission Income to \$38 million (FY18: \$29 million). This figure was bolstered by 2,419 sales (up from 667 sales for FY18) and \$2.5 billion worth of property sold across the combined group for the FY2019 (FY18: \$400 million).

At the completion of FY2019, the Company had 3,430 listings, up 43% on the 2,401 listings at the end of FY18. Property management continues to grow with The Agency reporting a record total of 4,337 Properties Under Management as at 30 June 2019, up 29% on the Prior Corresponding Period.

The Company also reported strong increase year-on-year in the number of agents recruited with a 47% increase year-on-year to 272 agents as at 30 June 2019 (FY18: 185).

The Agency Group reported cash receipts of \$33 million for the FY2019, a 120% year-on-year increase (FY18: \$15 million). Importantly, The Agency Group reported \$44,000 net cash from operating activities for the June Quarter as a result of an increase in cash receipts for the period.

Importantly, the financial results only include six months of operations from Top Level Real Estate Pty Ltd (“Top Level”) following completion of the acquisition in mid-January 2019.

### **Financial performance**

The Company recorded an EBITDA loss of approx. \$4.2 million for FY19 (2018: \$3.1 million loss), however this included \$1.3 million of one-off, non-recurring costs expensed this year, primarily associated with the Top Level transaction (i.e. legal, accounting, professional services, corporate advisory, financing and office fit-outs, etc ).

Excluding these would have seen the Company record a normalised EBITDA loss of approx. \$2.9 million, or a 10% reduction on previous year.

Cash at end of financial year was \$2.6M (2018: \$1.02M).

The combined East and West Coast businesses expected to further drive operational growth and efficiency savings from 2020 onwards.

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## **The Agency Transformation Program - Identifying and delivering cost savings into FY20**

As the Company continues to aggressively grow its brand into new markets (and expand into existing markets) it is focused on maintaining a sustainable financial framework and to this end continues to identify and implement efficiencies into its business.

The integration of The Agency's East Coast and West Coast operations, following the acquisition of Top Level in January 2019, is continuing to deliver cost synergies as planned.

The Company has already identified and has begun implementing \$2.8 million in cost savings that will be delivered in FY20.

### **Strengthened Balance Sheet**

In addition, the Combined Group has taken steps to strengthen its balance sheet announcing post year-end a \$5.6 million capital raising and \$5.8 million debt to equity conversion to be used to repay existing loans while providing the necessary funds to accelerate The Agency's growth plan in key real estate markets.

As part of the capital raising, The Agency has secured two new strategic investors, Magnolia Capital and Honan Insurance Group, who understand The Agency's business model and can see how it has successfully disrupted, and will continue to disrupt, the Australian real estate market.

In addition, the value of the key assets (mortgage book and rent roll) that sit off balance sheet continues to rise and is in excess of \$31 million.

### **Commenting on the results, The Agency Managing Director Paul Niardone said:**

*"This has been a company-making year for The Agency in which we completed the Top Level Real Estate acquisition, expanded into key real estate markets and recruited strongly, despite challenging wider market conditions.*

*"Since launching this business model less than three years ago we have achieved outstanding financial and operating results and have attracted some of the best agents.*

*"The integration of Top Level into the Combined Group has been highly successful, and we are confident further revenue growth will be achieved and cost synergies realised over the coming financial year.*

*"We realise the need to implement measures to control our costs in the current environment and have identified and are already implementing these cost savings.*

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*“Coupled with the \$5.6 million capital raising and \$5.8 million debt to equity conversion which will significantly strengthen our balance sheet, and signs of green shoots in the key markets, I anticipate the company will continue to achieve strong operational and financial growth moving forward.”*

ENDS

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