

REAL ESTATE
FINANCE
SETTLEMENT
INSURANCE

ASX ANNOUNCEMENT

16 October 2019

SEPTEMBER QUARTER 2019 UPDATE & APPENDIX 4C

***2ND CONSECUTIVE QUARTER OF POSITIVE CASHFLOW,
RECORD REVENUE, GCI & EXCHANGES - COST SAVINGS BEING REALISED***

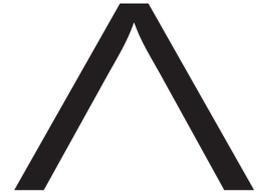
Highlights

| The Agency Group | Sept Q 2019 | % change on June Q 2019 |
|--------------------------------|-------------|-------------------------|
| No. of Agents | 280 | +3% |
| Listings | 883 | +15% |
| Gross Commission Income (m) | \$10.7 | + 8% |
| No. of Properties Sold | 701 | +4% |
| Value of Properties Sold (m) | \$630.8 | +5% |
| Properties Under Management | 4397 | +1% |
| Total Revenue (m) ¹ | \$11.8 | +10% |

- 2nd consecutive quarter of positive cashflow from operating activities of \$73,000, up 66% on June Quarter
- Record Combined Gross Commission Income (GCI) of \$10.7m, up 8% on June Quarter and ahead of budget
- Combined Total Revenue of \$11.8 million, up 10% on June Quarter 2019
- Record quarter for number of properties sold and 2nd highest quarter for value of properties sold (and highest in past 12 months)
- Merger related cost savings taking effect during Sept Quarter including:
 - Reduction in staff costs (down 17.6% on June Quarter)
 - Reduction in admin and corporate costs (down 12% on June Quarter)
 - Reduction in advertising and marketing costs (down 6% on June Quarter)
- Remains on target for ~\$2.8m of cost savings during FY2020
- Cash and cash equivalents at 30th September 2019 of \$6.8m

¹ All revenue figures provided are unaudited

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Corporate

- **Strong financial position with:**
 - **\$4.5 million non-renounceable four-for-seven entitlement offer completed**
 - **\$1.1 million placement completed**
 - **\$5.8 million debt converted to equity**
 - **Macquarie Bank financing facility extended by 6 months**
- **Funds to strengthen balance sheet via repayment of existing loans, for working capital and to fund further growth and acquisition initiatives**
- **Sydney-based boutique investment group Magnolia Capital took up a significant portion of Entitlement Offer and bought AU1 shares on-market this month. Current shareholding of 51.6m shares for a 17.4% stake in AU1**
- **Magnolia Capital Director Mitchell Atkins joins The Agency board as a Non-Executive Director**

The Agency Group Australia (ASX:AU1) (“The Agency” or “the Company”) is pleased to announce it has achieved strong results for the first quarter of FY2020 delivering the second consecutive quarter of positive cashflow, record gross commission income and growth across key metrics.

For the quarter, the Group achieved a 66% increase in positive cashflow from operations, to \$73,000.

Gross Commission Income (GCI) was a record A\$10.7 million (up 8% on previous quarter). GCI was due to a record 701 exchanges and more than \$630 million worth of property sold (second highest quarter on record) across the combined group for the quarter.

Across the combined group, there were 883 new listings, 15% higher than the prior period. Property management continues to grow with The Agency reporting a record total of 4,397 properties under management (PUM) for September Quarter, up 1.4% on June Quarter.

The number of agents operating under the combined group were 280 agents as at end of the quarter.

Further underpinning the business was the recent raising of \$5.6 million in new funds and \$5.8 million debt to equity conversion which strengthens the Company’s balance sheet by repaying existing loans while providing the necessary funds to accelerate The Agency’s growth plan in key real estate markets.

In addition, The Agency have attracted two new strategic investors, Magnolia Capital and Honan Insurance Group, who understand The Agency’s business model and can see how it has disrupted, and will continue to disrupt, the Australian real estate market.

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THE AGENCY



MORTGAGE
& FINANCE
Solutions Australia

LANDMARK
Settlements Australia

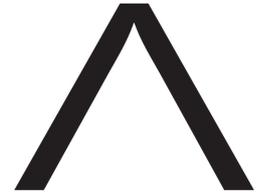
AUSNET
Insurance



AUSNET
Financial Planning

THE AGENCY
— GROUP AUST LTD

ASX:AU1



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Cost Savings Update

As previously announced, The Agency has begun implementing a cost savings program across the combined group during FY20 as part of its integration of The Agency's East Coast and West Coast operations (refer to ASX announcement dated 30 August 2019).

As highlighted in the attached Appendix 4C, the company is pleased to report that this program has already begun taking effect with The Agency implementing cost savings across the combined group including:

- Reduction in staff costs (down 17.6% on previous quarter to \$2.6m)
- Reduction in admin and corporate costs (down 12% on previous quarter to \$2.2m)
- Reduction in advertising and marketing costs (down 6% on previous quarter to \$142k)

Further highlighting the group's cost cutting program, The Agency also reported estimated cash outflow for the December quarter 2019 of ~\$11.95 million, an over 8% reduction in the June Quarter Appendix 4C which estimated cash outflow for the September Quarter of \$13 million.

It is expected \$2.8 million in cost reductions will be delivered in FY20 with The Agency on target to meet these reductions.

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

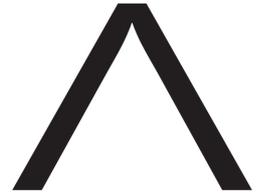
In only three short years, I am extremely proud of what The Agency Group has and will continue to achieve going forward. The outstanding September Quarter results, in particular a second consecutive quarter of positive cashflow and record combined GCI, is further proof that we are continuing to grow from strength to strength while competitors, including who use the outdated franchise model, are languishing. We have the best model and value proposition in the market to attract the best talent and deliver best outcomes for consumers.

Against all the negative market sentiment and commentary against our model we have again achieved enviable results. We have clearly disrupted the market, recruited some of the best agents in the industry and achieved industry leading results – which we know has grabbed the attention of our competitors who now realise The Agency is here to stay.

We have a strong balance sheet and the funds needed to continue our sustained growth plans. Importantly our key shareholders, including those that have recently joined our share register, continue to back our model and when provided with the opportunity invest further.

There is also growing optimism of a sustained rebound in property prices. On the east coast, there is recent evidence of a turnaround in house prices in Sydney's affluent eastern suburbs - The Agency's primary market in Sydney – with

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CoreLogic data showing house prices have risen 4.2% for the September quarter and are driving the market rebound. This bodes well for The Agency to continue on its growth trajectory.

ENDS

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

The Agency Group Australia Limited

ABN

52 118 913 232

Quarter ended ("current quarter")

30 September 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date \$A'000 |
|---|------------------------------------|---------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 13,139 | 13,139 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (7,845) | (7,845) |
| (c) advertising and marketing | (142) | (142) |
| (d) leased assets | (5) | (5) |
| (e) staff costs | (2,641) | (2,641) |
| (f) administration and corporate costs | (2,179) | (2,179) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 1 |
| 1.5 Interest and other costs of finance paid | (255) | (255) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other | - | - |
| 1.9 Net cash from / (used in) operating activities | 73 | 73 |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date \$A'000 |
|---|----------------------------|-------------------------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (207) | (207) |
| (b) businesses (see item 10) | - | - |
| (c) investments | (120) | (120) |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other – Cash acquired on acquisition of businesses | - | - |
| 2.6 Net cash from / (used in) investing activities | (327) | (327) |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | 4,092 | 4,092 |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | - |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | (24) | (24) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (Share subscriptions received in advance) | - | - |
| 3.10 Net cash from / (used in) financing activities | 4,068 | 4,068 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date \$A'000 |
|--------------------------------------|--|----------------------------|-------------------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 3,001 | 3,001 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 73 | 73 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (327) | (327) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 4,068 | 4,068 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of quarter | 6,815 | 6,815 |

| 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 | 6,411 | 2,597 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (Bank Guarantees) | 404 | 404 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 6,815 | 3,001 |

| 6. | Payments to directors of the entity and their associates | Current quarter \$A'000 |
|-----|--|----------------------------|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 | 124 |
| 6.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 | Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

Director salary \$124k (Paid to Executive Directors)
Director fees Nil (Non-Executive Directors)

| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|--|----------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | \$27 |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

\$27k paid to Aura Capital, a company related to John Kolenda who is a Non-Executive Director

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities | \$12,593 | \$12,593 |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

Lender – Macquarie Bank, facility has a first ranking charge over all group companies, Interest Rate 7%, Term 6 months to 31 Mar 2020. All covenants continue to be met and achieved.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|-----------------|
| 9.1 Research and development | - |
| 9.2 Product manufacturing and operating costs | (7,278) |
| 9.3 Advertising and marketing | (75) |
| 9.4 Leased assets | (6) |
| 9.5 Staff costs | (2,778) |
| 9.6 Administration and corporate costs | (1,818) |
| 9.7 Other (Bank Guarantee and Rental deposit) | - |
| 9.8 Total estimated cash outflows | (11,955) |

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Acquisitions |
|---|--------------|--------------|
| 10.1 Name of entity | | |
| 10.2 Place of incorporation or registration | | |
| 10.3 Consideration for acquisition or disposal | | |
| 10.4 Total net assets | | |
| 10.5 Nature of business | | |

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.



Sign here:
Company Secretary

Date: 16 October 2019

Print name: Stuart Usher

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.