FY23 Investor Presentation

THE AGENCY

23 August 2023

FY23 Key Takeaways

$(1.30M)

Underlying EBITDA[1]
(FY22: +$3.85M)

$76.9M

Revenues from Ordinary Activities
(FY22 : $72.7M)

$5.3B

Gross Value of Properties Sold
(FY22 : $5.9B)

5,734

No. of Properties Sold
(FY22 : 5,709)

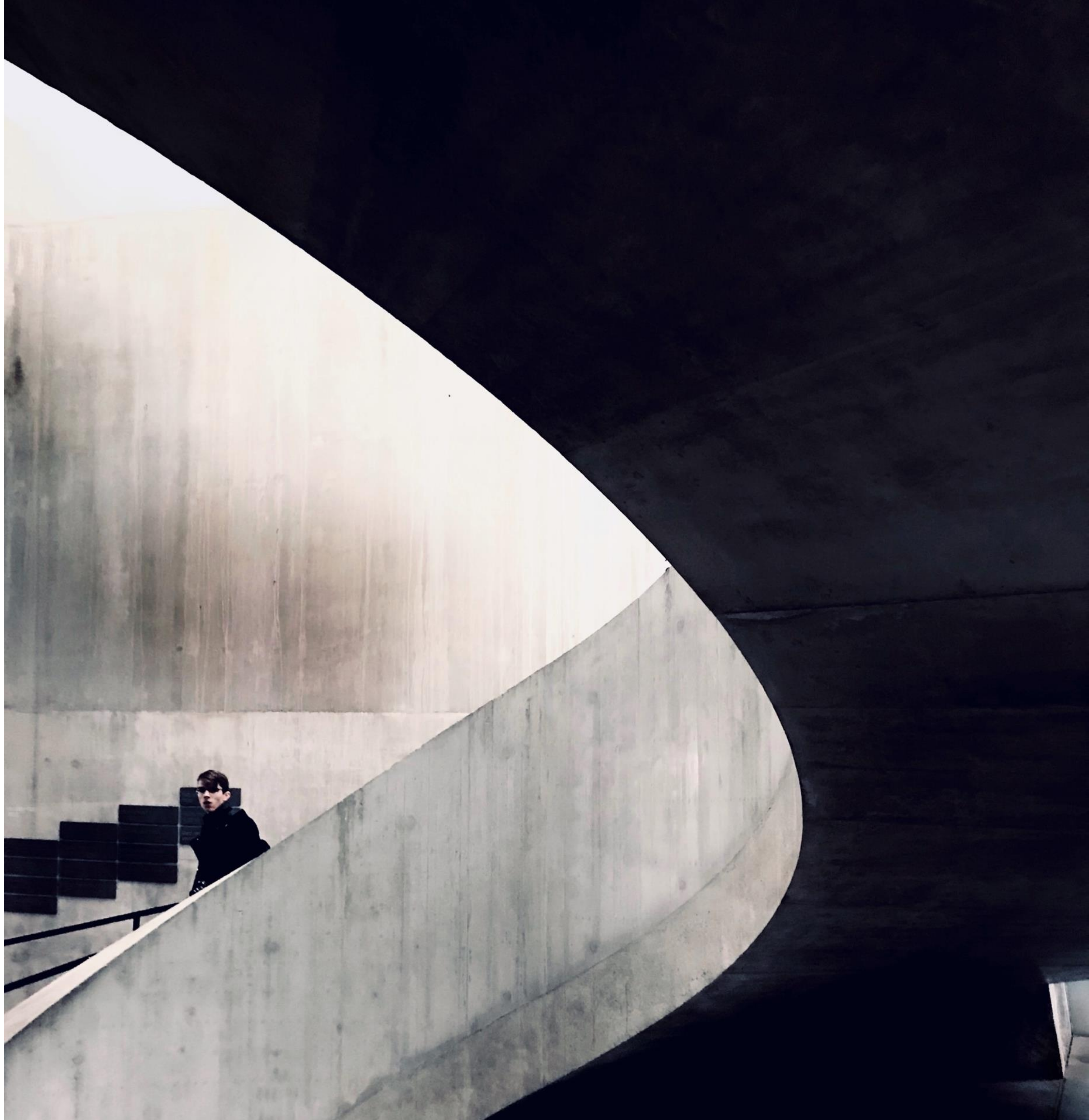
$95.4M

GCI[2]
(FY22 : $102.5M)

399

No of Agents
(30 June 2022: 393)

1. Underlying adjusted for the impact of AASB16 Leasing Standard, Gain on Sale and other one off items.
2. Gross Commission Income ("GCI") is the fees the vendor pays for the sale of a property.

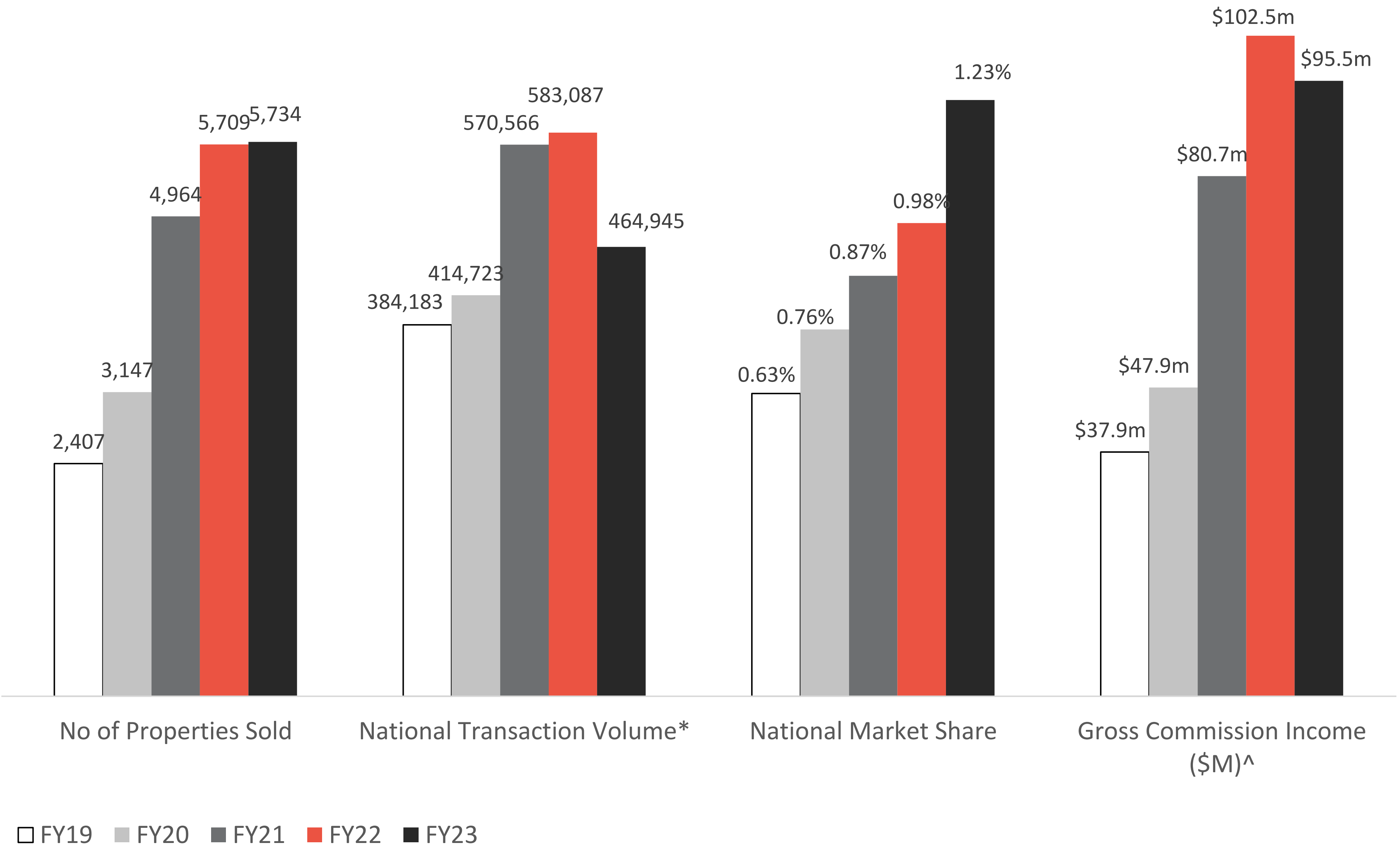


Stable agent productivity against a fall in market volumes underpinned market share growth

0.98% to 1.23% Increase in National Market Share in FY23

Although we are increasing national market share, state mix of sales and average selling price movements have impacted Gross Sales Volume and lower Gross Commission Income.

WA Average Sale Price in the period was +7.6% in FY23, while NSW Average Sale Price was -5.7% in FY23 which are both broadly in line with market movements (+6.0% and -5.3% respectively).



* Source: CoreLogic Economist Park (Jul 2023).
National Market Share Source: The Agency # of Sales / Estimated Properties sold per CoreLogic Economist Park (Jul 2023)
Note – recent months sales are subject to revision by CoreLogic
^ Gross Commission Income ("GCI") is the fees the vendor pays for the sale of a property.

A growing brand now with 399 agents with presence across 6 states and territories.

Across FY23, the broader industry saw a number of lower performing agents exit the industry as a result of the tough operating environment on the East Coast. The Agency achieved good recruitment success in Western Australia during the period as we focus on gaining market share in the premium western suburb markets.

Following the July 2022 entry into the Tasmanian market, in December 2022, The Agency expanded its presence to Rockhampton and Capricorn Coast in QLD as part our objective to have a stronger local presence in regional powerhouses to better service our clients at the local and national levels.

In May 2023, The Agency announced the joining of independent Devine Real Estate to The Agency. Located across 4 offices across Inner West of Sydney selling over $250m in properties annually, this expansion was in conjunction with MDC Trilogy Group Alliance.

Devine.
Now home to
The Agency.

THE AGENCY

Over 8,000 investment properties managed by The Agency

Following the acquisition of Bushby Property Group, and the re-establishment of the Western Australia property management business, The Agency has grown to 5,018 properties under management as at 30 June 2023.

Since its announcement, MDC Trilogy Group have deployed nearly $20m in purchasing rent roll assets across NSW and Queensland. These purchased rent roll assets comprise of over 3,000 properties under management which are now managed by The Agency under a services arrangement.

Combined, the 8,000 plus managed properties represent an estimated $7 billion of Australian's property investors wealth and has the ability for Landlords with a geographically dispersed portfolio the opportunity to have all their properties managed by a single company. The increased portfolio scale enables greater cost synergies across The Agency owned portfolio.

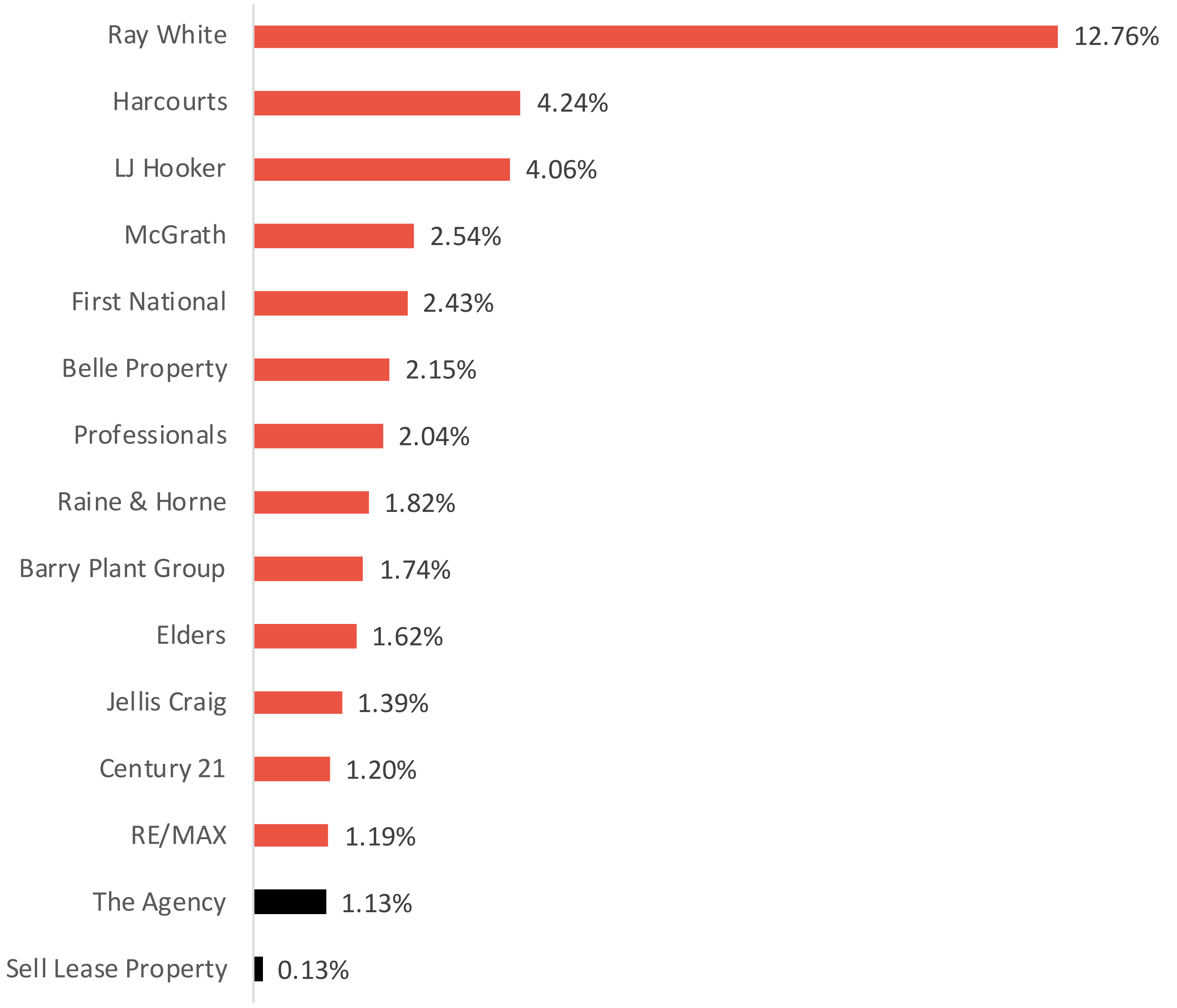
Highly fragmented market ready for a direct business model alternative

The Agency and it's subsidiary brand Sell Lease Property has gained meaningful market share in its short 7 years of operation across a highly fragmented market.

Operating a contemporary direct engagement model, The Agency's growth in market share and its popularity by Agents acknowledge the thematic that there is demand for a different business model than the predominantly franchised operations that comprise the majority of the industry.

Initiatives continued to be undertaken to increase brand awareness of The Agency with consumers as well as initiatives to ensure a scalable operations model as the business continues to gain further market share.

FY23 National Market Share Ranking by Brand (Transactions)



Source: CoreLogic Market Scorecard, FY23, Houses & Units Segment

Note – CoreLogic Marketscore captures approx. 82% of Australian transactions that are sold through industry portal (i.e. Domain.com.au). Properties sold off market without advertising are generally not included which results in small variances to the calculated national market share (for on and off market sales).

Financial Highlights

Business Performance Update

2H FY23 saw a return to GCI growth. Combined with a reduction in operating expenses, cost of doing business materially reduced to 32.6% of revenue in the second half with further reductions targeted.

($M)	1H FY23	UNDERLYING[1] 2H FY23	FY23
GCI	45.7	49.8	95.5
Revenue	37.49	39.44	76.93
Gross Profit	12.21	12.26	24.47
Other Income	0.32	0.24	0.56
Operating Expenses	(13.47)	(12.85)	(26.32)
Cost of Doing Business[2]	35.9%	32.6%	
EBITDA	(0.95)	(0.35)	(1.30)

1. Underlying adjusted for the impact of AASB16 Leasing Standard, Gain on Sale and other one off items.
2. Operating Expenses Pre AASB16 Leasing Standard as a percentage of revenue

Strategy Initiatives

During 1H FY23 The Agency undertook a number of strategic initiatives including a branding refresh, data consolidation strategy, data security review and establishment costs relating to MDC Trilogy group.

Agent Productivity

Improved agent productivity in 2H FY23 resulted in GCI and Revenue growth. Combined with reduction in operating expenses this enabled a reduction in the 2H Cost of Doing Business..

Reduced Cost

As The Agency continues to scale GCI and revenue, management remains committed to reducing the Cost of Doing Business Ratio and taking advantage of economies of scale as our agent population and sales revenue grows.

Significant shareholder value held off Balance Sheet

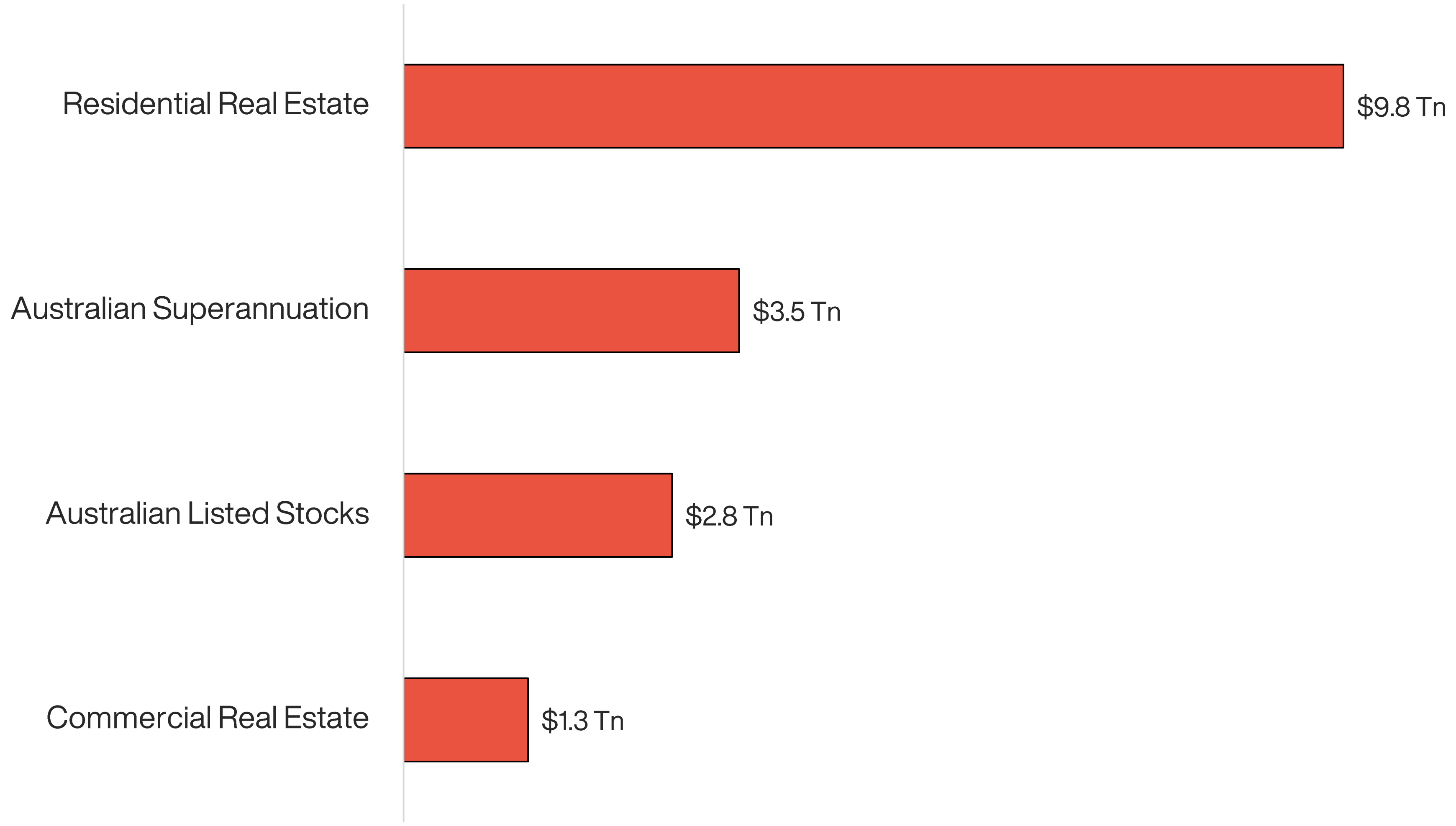
($M)	30 June 2023	STATUTORY 30 June 2022	Change
Cash at Bank	4.63	8.22	-43%
Net Assets	12.54	16.4	-23.5%
Assets not on balance sheet	16.61	12.68	+31.0%
Estimated Net Assets	29.15	29.08	+0.2%

- The value attached to internally generated Property Management and remaining Mortgage book is not recorded in the balance sheet.
- Management valuation of the Property Management portfolio is calculated on a blended valuation multiple of 3.35x on Q4 FY23 Annualised Property Management fees and 2.25x Net Trail Income relating to the remaining Mortgage Book (combined value of $27.91m).
- Only $11.30m of this value is held on the Balance Sheet as an intangible asset, leaving $16.61m value off balance sheet.
- Adjusted for these off balance sheet assets, Estimated Net Assets has increased 0.2% to $29.15m
- In conjunction with the settlement of Bushby Property Group, The Agency entered into a Primary lender banking facility with Macquarie Bank, with a facility limit of $8.40m for a 3 year term expiring on 20 July 2025.
- Concurrent with the approval of the part sale of the Mortgage trail asset, the primary lender has provided a covenant waiver in relation to the interest cover ratio for the period December 2022, March 2023 and June 2023 quarter end. The Company has had extensive discussions with Macquarie Bank around the covenant testing and are confident a waiver will be obtained for the September 2023 quarter end as part of the normal quarterly reporting process. As part of the approval of sale and December 2022 quarter waiver conditions, the Company delivered a duly executed deposit account agreement and transferred $650k into a nominated deposit account to cover 12 months interest costs..

Industry Highlights

Market Update.

56.3% of Australian Household Wealth is held in Residential Housing with $6.0 Billion annual addressable sales commission market.



464,945

Sales in FY23

$400.9 B

Gross Value of Sales in FY23

$6.0 Bn

Total Annual Addressable Market* (GCI)

3.25M

Number of investment properties in Australia

$3 T

Estimated Value of investment properties in Australia

Source: CoreLogic, RBA, APRA, ASX
* Assessed at 1.50% Average Commission Rate of Gross Sales Volume of $400.9Bn.

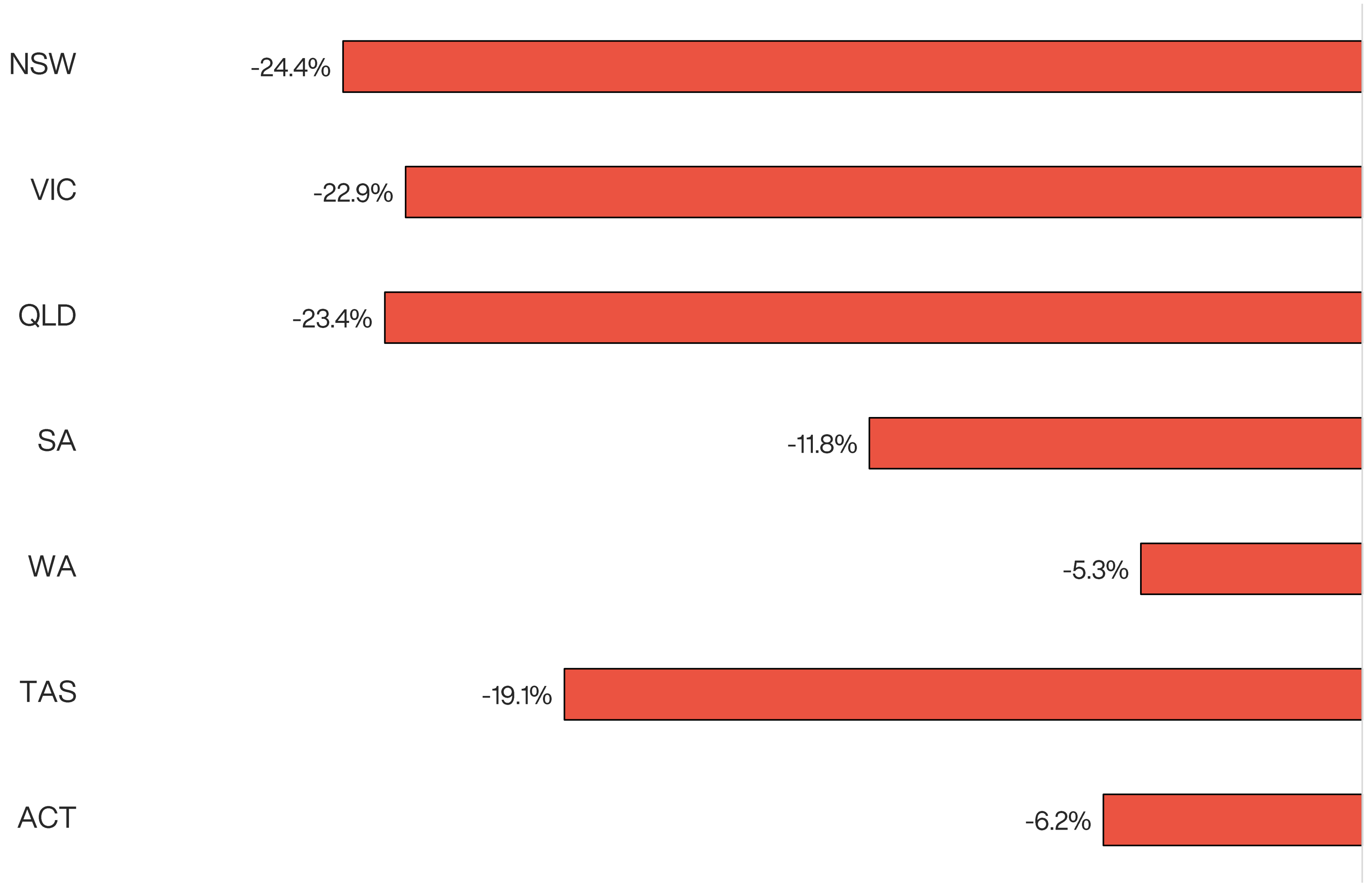
FY23 Market Sales Volume

In the 12 months to 30 June 2023, Australian market volumes have reduced 20.3% from FY22 levels.

The Agency has recorded better than system performance with volumes increasing +0.5%. This has led to increased market share of national transactions.

Source: CoreLogic

Change in sales volumes, twelve months to Jun 2023



-20.3%
Australia

-24.0%
Combined Regionals

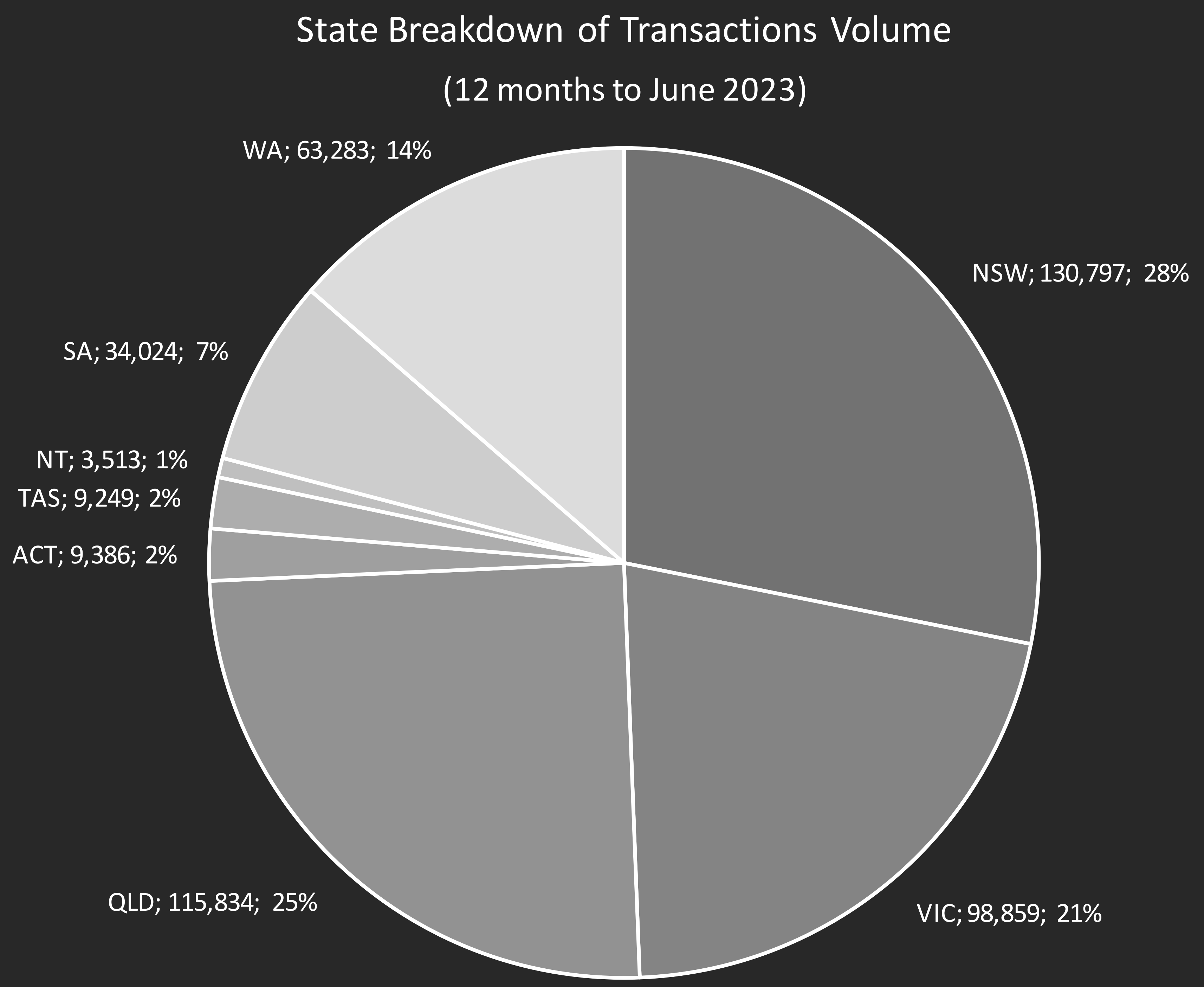
-18.0%
Combined Capitals

State Breakdown of Sales.

In the 12 months to 30 June 2023, NSW and Queensland represented approx. one quarter of the national sales volume, followed closely by Victoria at 21%.

Increased organic agent recruitment and MDC Trilogy Group capital deployment will improve The Agency's market share in these key growth markets.

Source: CoreLogic



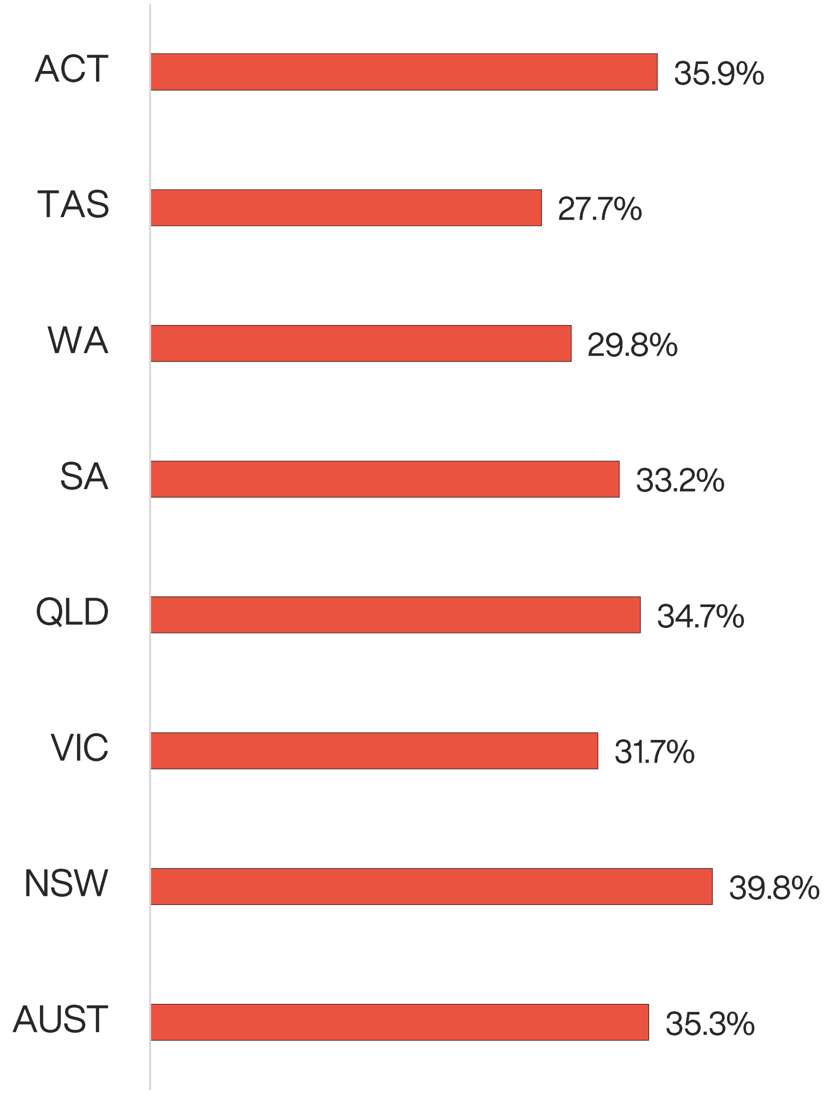
Investor Participation

Investor Participation at 34.2% is broadly inline with the decade average of 34.4%.

NSW is the state with the highest investor participation with 39.8% of lending to investors, while WA has grown to 29.8% in June 2023

Portion of new lending for investment housing (excluding refinance)

Investors as a % of housing finance commitments by state (Jun'23)

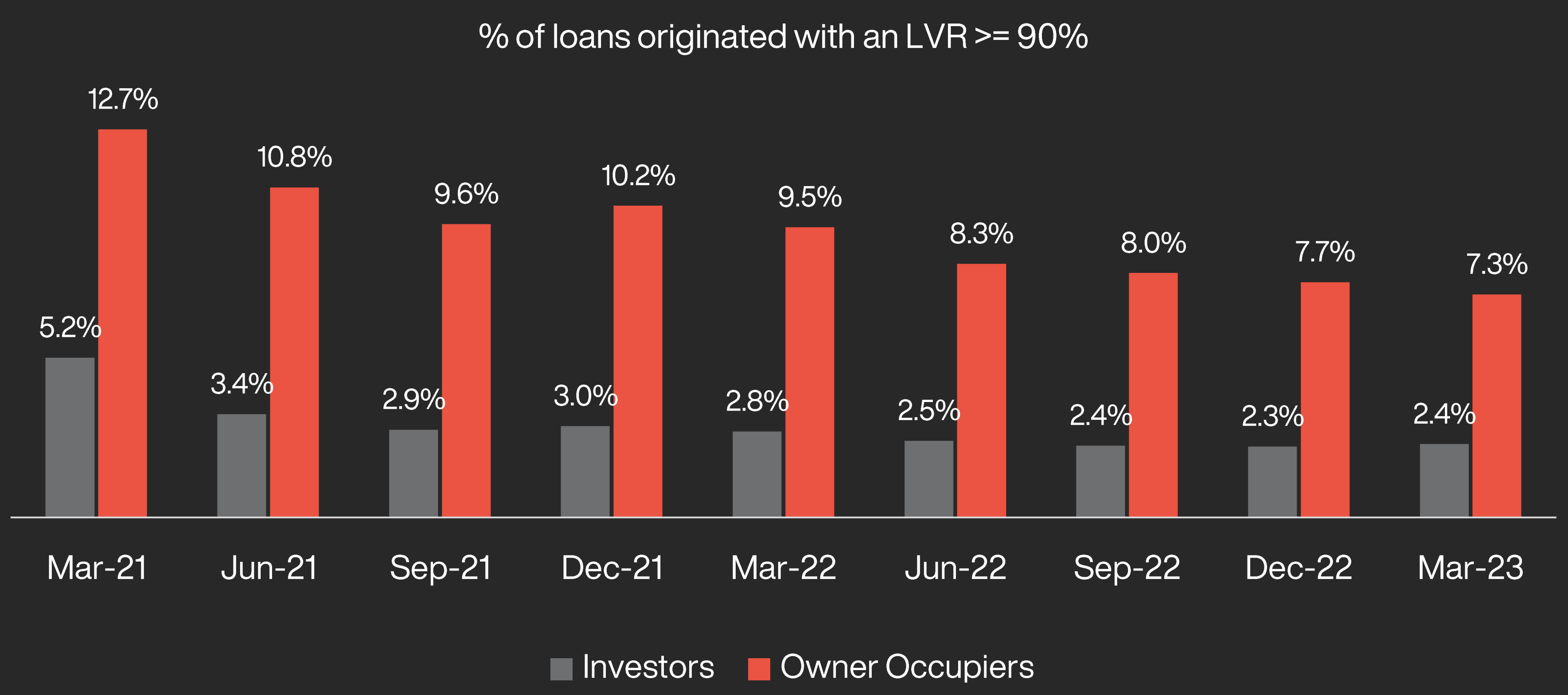


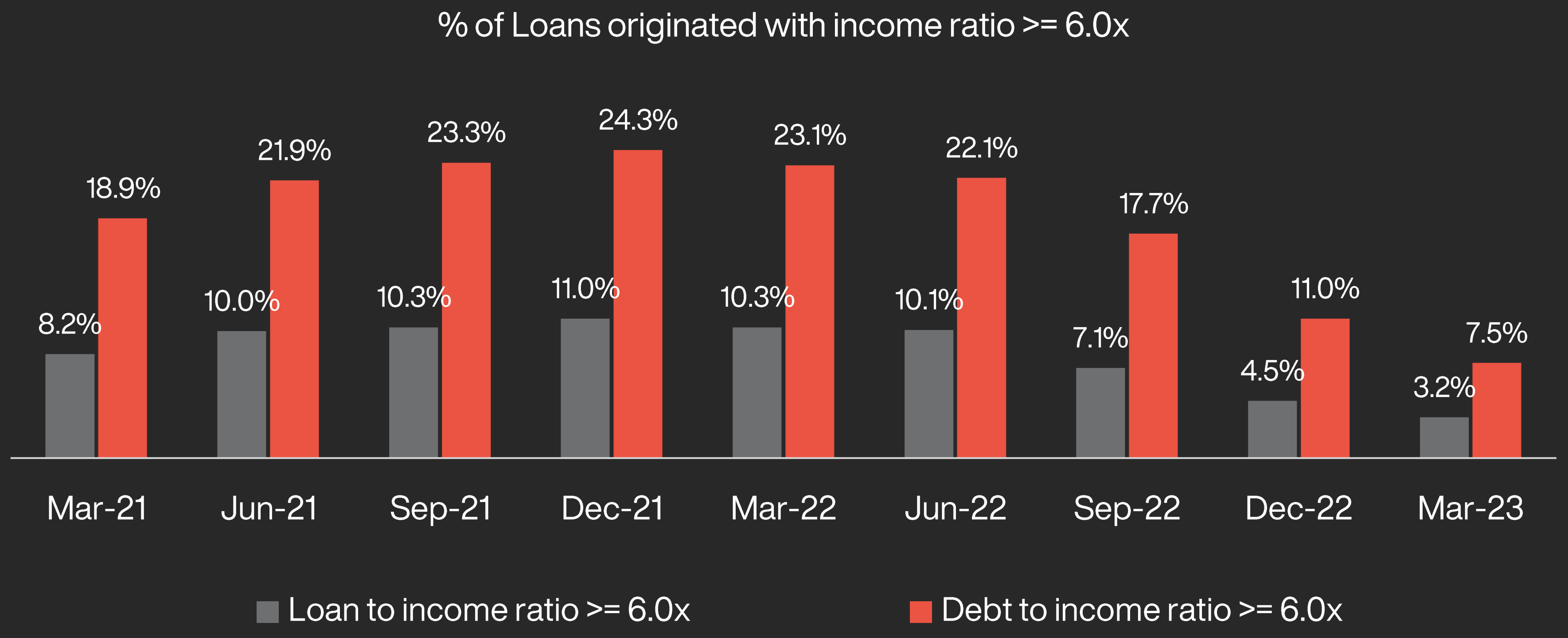
Source: CoreLogic, ABS

Cautious lending improving quality of loans.

Mortgage originations for 'risker' types of lending trended notably lower through 2022 and into 2023.

Furthermore, as increased interest rates were incorporated into new mortgage application assessments, the percentage of loans with a loan to income ration of greater than 6.0x reduced to 3.2% in the Mar 2023 quarter, down from a peak of 11.0% in the December 2021 quarter.





Source: CoreLogic, APRA

Outlook

Strategic objectives

Growth in agent numbers.

Further expansion of geographical regions across Australia in a disciplined capital and operating expense approach. This will include potential acquisitions through MDC Trilogy Group. Continued growth in agent numbers across all targeted regions across the country.

Developing adjacent offerings.

Enhancement of adjacency offerings to our agents and customers to increase the share of wallet.

Multi Brand Strategy.

Continue development and rollout of secondary brand.

Training and coaching.

Further investment into training and coaching initiatives ensuring Agents and support teams are well placed to capitalise on evolving market conditions.

Leveraging technologies.

Leveraging technology and cost of doing business efficiencies enhancing agent experience. Focus on building out the scalable platform for future growth.

FY2024 Outlook

Volume increases expected.

Across FY24, states with lower median price points to continue to transact above decade average volume levels, outperforming higher median priced states which are expected to transact below decade volume averages.

Greater price stability.

Following the expectation that interest rates are at or very near the terminal rates, FY24 is expected to see a period of price stabilisation across the country. However it may be a 2-tier market, with more listings in lower value properties potentially causing price falls, while higher value properties may experience price increases.

Shift towards larger agent teams.

Super Agent Teams to continue to grow as inexperienced agents continue to leave the industry.

Market consolidation to continue.

Market Consolidation continues as smaller independents and franchisees look to access operating efficiencies. The MDC Trilogy Group alliance means we are well placed to capitalise on this.

Mixed consumer sentiment.

1H FY24 consumer sentiment to remain broadly at currently levels as consumers adjust to higher interest rates, followed by a rebound in consumer sentiment during 2H FY24 as media start discussing interest rate cuts more frequently.

Appendix

Profit and loss statement.

		UNDERLYING[1]			STATUTORY	
($M)	FY23	FY22	Change	FY23	FY22	Change
Revenue	76.93m	72.66m	5.9%	$76.93m	$72.66m	5.9%
Cost of Sales	($52.46m)	($47.43m)	10.6%	($52.46m)	($47.43m)	10.6%
Gross Profit	$24.47m	$25.22m	-3.0%	$24.47m	$25.22m	-3.0%
Other Income	$0.48m	$0.53m	-9.4%	$0.48m	$0.61m	-21.3%
Operating Expenses	($26.25m)	($21.90m)	19.9%	($24.05m)	$20.15m)	19.4%
EBITDA	($1.30m)	$3.85m	n.m	($0.93m)	$5.69m	n.m
Depreciation and Amortisation	($4.69m)	($3.85m)	21.8%	($6.47m)	($5.44m)	18.9%
Share-based payments expense	($0.46m)	($0.65m)	-29.2%	($0.46m)	($0.68m)	-29.2%
Impairment Recovery	-	-	n.a.	-	$0.40m	n.a
Fair Value Gain on Financial Asset	-	-	n.a.	($0.07m)	$0.12m	n.m
One off legal fees[2]	-	-	n.a.	($0.62m)	-	n.a
Acquisition of business costs	-	-	n.a.	($0.08m)	-	n.a
Profit on Sale of Asset	-	-	n.a.	$1.51m	$0.00m	n.m
EBIT	($6.45m)	($0.68m)	n.m	($1.88m)	$0.10m	n.m
Net Finance Income (Expense)	($0.95m)	($0.52m)	82.7%	($1.51m)	($0.78m)	n.m
Embedded derivative non-cash financing gain/(cost)	-	-	n.a.	($1.35m)	$1.14m	n.m
Net Profit/(Loss) Before Tax	($7.40m)	($1.20m)	n.m	($5.41m)	$0.46m	n.m
Income Tax Expense/(Benefit)	$2.22m	$0.36m	n.m	$1.09m	$1.12m	n.m
Net Profit After Tax	($5.18m)	($0.84m)	n.m	($4.32m)	$1.59m	n.m

1. Underlying adjusted for the impact of AASB16 Leasing Standard, Gain on Sale and other one off items.
2. Legal costs associated with The Agency Group's intellectual property action against the company H.A.S. Real Estate, the registered owner of The North Agency.
n.a – Not Applicable / n.m – Not Meaningful

Balance Sheet.

($M)	30 June 2023	UNDERLYING[1] 30 June 2022	Change
Cash at Bank	$4.63m	$8.22m	-43.7%
Other Current Assets	$13.24m	$11.60m	+14.1%
Non Current Assets	$31.85m	$27.84m	+14.4%
Total Assets	$49.72m	$47.65m	+4.3%
Total current liabilities	($21.66m)	($28.25m)	-23.3%
Total Non current liabilities	($15.52m)	($3.00m)	n.m
Total Liabilities	($37.18m)	($31.25m)	19.0%
Net Assets	$12.54m	$16.40m	-23.5%
Assets not on balance sheet[1]	$16.61m	$12.68m	31.0%
Estimated Net Assets	$29.15m	$29.08m	0.2%

1: Management valuation of the Property Management portfolio is calculated on a blended valuation multiple of 3.35x on Q4 FY23 Annualised Property Management fees and 2.25x Net Trail Income relating to the remaining Mortgage Book (combined value of $27.91m). Only $11.30m of this value is held on the Balance Sheet as an intangible asset, leaving $16.61m value off balance sheet.

Cashflow Statement.

($M)	FY23 (Underlying)* (Pre AASB16)^	FY23 (Statutory) (Post AASB16)	FY23 (Statutory) (Post AASB16)
EBITDA	($1.30m)	$0.90m	$5.69m
Change in net working capital	($1.24m)	($0.63m)	$1.34m
Net interest Paid	($0.38m)	($0.71m)	($0.43m)
Net Cashflow from Operating Activities	($2.92m)	($0.44m)	$6.60m
Purchase of property, plant and equipment	($0.45m)	($0.45m)	($0.97m)
Purchase of intangibles	($0.59m)	($0.59m)	($0.32m)
Deposit for bank guarantees	($0.15m)	($0.15m)	($0.01m)
Net Loans to other entities	($0.16m)	($0.16m)	($0.71m)
Net cash received on disposal of asset	$1.64m	$1.64m	$0.49m
Payment for acquisition of subsidiary, net of cash acquired	($4.37m)	($4.37m)	-
Net cash (used in) / received from investing activities	($4.07m)	($4.07m)	($1.52m)
Payment of principal portion of lease liabilities	$-	($2.47m)	($1.96m)
Proceeds of borrowings	$3.40m	$3.40m	$-
Net cash used in financing activities	$3.40m	$0.93m	($1.96m)
Net (decrease)/increase in cash and cash equivalents held	($3.59m)	($3.59m)	$3.12m
Cash and cash equivalents at the beginning of the year	$8.22m	$8.22m	$5.10m
Cash and cash equivalents at the end of the year	$4.63m	$4.63m	$8.22m

* Underlying adjusted for the impact of AASB16 Leasing Standard, Gain on Sale and other one off items.
^ This is a non A-IFRS measure
Note – may not add through due to rounding differences

Geoff Lucas

Managing Director & CEO
geofflucas@theagency.com.au
linkedin.com/Geoff-lucas

Not an offer

This presentation is for information purposes only. This presentation does not comprise a prospectus, product disclosure statement or other offering document under Australian law (and will not be lodged with the Australian Securities and Investments Commission) or any other law.

Summary information

This presentation does not purport to be all inclusive or to contain all information about the Company or any of the assets, current or future, of the Company. This presentation contains summary information about the Company and its activities which is current as at the date of this presentation. The information in this presentation is of a general nature and does not purport to contain all the information which a prospective investor may require in evaluating a possible investment in the Company.

The Company does not undertake to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Forward looking statements

Certain statements contained in this presentation, including information as to the future financial or operating performance of the Company and its projects, are forward looking statements. Such forward looking statements: are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies; involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward looking statements; and may include, among other things, statements regarding estimates and assumptions in respect of prices, costs, results and capital expenditure, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions.

The Company disclaims any intent or obligation to publicly update any forward looking statements, whether as a result of new information, future events or results or otherwise.

The words “believe”, “expect”, “anticipate”, “indicate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward looking statements.

All forward looking statements contained in this Presentation are qualified by the foregoing cautionary statements. Recipients are cautioned that forward looking statements are not guarantees of future performance and accordingly recipients are cautioned not to put undue reliance on forward looking statements due to the inherent uncertainty therein.

THE AGENCY