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INSURANCE

# MARCH QUARTER 2020 UPDATE & APPENDIX 4C

30<sup>th</sup> April 2020

## ROBUST RESULTS SETS STRONG FOUNDATION

***+\$200k EBITDA, POSITIVE CASHFLOW, \$10.7M REVENUE, +\$12M GCI & RENT ROLL GROWING***

### Highlights<sup>1</sup>

- Achieved EBITDA of +A\$200k in March Quarter, a significant result given COVID-19 impact from late March and seasonal lull over holiday period
- Positive operational cash flow of \$21,000 for the March Quarter
- Combined group revenue of \$10.7M
- Second-highest quarter for combined Gross Commission Income (GCI) of \$12.1M
- +\$5M Total Group GCI for March and record monthly GCI for The Agency (West Coast) of \$1.8M
- 804 sales across the combined group for March Quarter valued at \$747M
- 1,001 listings across the combined group for March Quarter, comparable with Dec Quarter
- Record 4,737 Properties under Management (PuM) at end of March 2020, increased to 4,763 PuM at 21<sup>st</sup> April 2020
- Record 300 agents across the combined group at end of March 2020
- Cash and cash equivalents at 31<sup>st</sup> March 2020 of \$4.6 million
- The Agency continues to boast significant assets with a rent roll valued at ~ \$23.5M and mortgage book valued at ~\$5.2M

<sup>1</sup> All revenue and EBITDA figures provided in this announcement are unaudited.

HEAD OFFICE 68 Milligan Street PERTH WA 6000  
08 9204 7955 theagencygroup.com.au ABN 52 118 913 232



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The Agency Group Australia (ASX:AU1) (“The Agency” or “the Company”) continued its growth trajectory building on its previous results and setting a strong foundation during the March Quarter 2020 despite the onset of the COVID-19 pandemic in Australia and the negative effect it will have on the real estate sector.

The Agency delivered Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$209,791 as well positive operational cashflow of \$21,000 for the March Quarter.

Combined Gross Commission Income (GCI) for the March Quarter came in at \$12.1 million, its second-highest quarter for GCI behind the December Quarter 2019 (GCI: \$14.1 million).

For the month of March, The Agency (West Coast) delivered a record GCI of \$1.79 million highlighting the quality of its sales team.

GCI for the quarter was based on 804 exchanges across the combined group, with The Agency (East Coast) reporting 294 exchanges while West Coast (incorporating The Agency and SLP brands) accounting for 510 exchanges.

The Agency sold a combined \$747 million worth of property during the March Quarter. Of this, \$500 million worth of property was sold by The Agency East Coast and \$247 million for The Agency WA which also reported 177 monthly sales for March valued at \$90.3 million.

For the March Quarter, the combined group reported 1,001 listings, which is comparable to the December Quarter, and 760 settlements.

As at 31<sup>st</sup> March, The Agency was comprised of a combined record 300 sales agents (East Coast: 145, West Coast: 155).

### **Property Management Performing Strongly**

The Company’s Property Management business is a significant part of The Agency’s growth story and continues to perform strongly despite the uncertain times brought on by COVID-19 pandemic.

Properties under management (PuM) continues to expand with The Agency’s East Coast and West Coast operations reporting a total management portfolio of 4,737 PuM as at 31<sup>st</sup> March 2020. As at 21<sup>st</sup> April 2020, this figure had risen to 4,763 PuM.

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Positive proactive rent deferral programs in WA, NSW and Victoria meant request from tenants for rent relief due to COVID-19 has been limited. To date less than 10% of tenants across the combined property management business have applied for rent relief consideration due to COVID-19, with ~4% being identified as having financial hardship due to COVID-19 and receiving approved short-term rent reductions.

As a result of state-level changes to rental legislation, indicating residential rent remains payable along with roll out of rent relief packages, management income has not been affected to any material extent.

**Commenting on the March Quarterly results, The Agency Group’s Managing Director Paul Niardone said:**

*“Achieving positive EBITDA of over \$200,000 and positive cashflow for the March quarter is a significant result particularly when taking into account the impact of COVID-19 on the real estate sector from late March and the seasonal lull historically experienced over the Christmas holiday period. Coupled with key metrics at either close to or all-time highs, these results are further evidence that our business model continues to lead the property market nationally.*

*The results also highlight that we are in a stronger position to withstand a downturn given the economies of scale we enjoy and that we are not burdened by the traditional real estate structure where there is a significant number of office leases and associated infrastructure and high administrative headcount.*

*Saying that, the Company continues to review its cost base and manage cost exposure as outlined in the Cost Reduction and Business Improvements section of this announcement. With these measures in place, I am confident our business is prepared and will be well positioned to take advantage of what in time will become an improving market.*

*Looking at the real estate property market as at 30<sup>th</sup> April, we are cautiously optimistic the industry appears to be more resilient than first anticipated. However, we need to be ready for the worst-case scenario and a drawn-out, slow recovery.*

*While there was an immediate reduction in sales activities particularly following the Federal Government’s restrictions on home opens and auctions, in recent weeks we have noticed a gradual improvement in sales activity particularly from first home buyers and the top end of the market.*

*Our west coast agents have witnessed very positive attendance numbers recently at home opens following the easing of restrictions on home opens in Western Australia– which allows for up to 10 people to view a property at one time under strict health controls.*

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*Meanwhile, our property management figures so far for April exemplify the strength of our rent roll, with minimal impact of COVID-19 on the property management business. As the figures show, we are seeing new business opportunities, a significant improvement in leasing conversions and minimum churn while management fees are largely unaffected.*

*In addition, other smaller agencies are seeing our results and are coming to us to take on their rent rolls. This not only presents another unique revenue source but is a significant vote of confidence in our team, our business model and our industry-leading service offering.*

*A more thorough update on the status of the property market will be provided in the coming weeks.”*

### **Cost Reduction and Business Improvements**

During the March Quarter, The Agency was quick to react to the COVID-19 epidemic, putting in place cost cutting measures to counter a fall in revenue.

The Company proactively introduced a range of business continuity measures including reducing working hours of all staff (including management and board) temporarily in line with reduced workloads as a result of the COVID-19 pandemic. This measure, which excludes property partners who are either contractors or remunerated via commissions, took effect from mid-April and was supported by the vast majority of The Agency staff, management and board.

The Company has also appointed BDO (Australia) Ltd to assist in reviewing the company’s financial model and advise on operational improvements and corporate structure to ensure the Company is best prepared for the post COVID-19 rebound.

Authorised for release by:

Paul Niardone

**Managing Director**

**ENDS**

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**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

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

The Agency Group Australia Limited (ASX: AU1)

**ABN**

52 118 913 232

**Quarter ended ("current quarter")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	15,126	43,650
1.2 Payments for		
(a) research and development	(23)	(40)
(b) product manufacturing and operating costs	(9,580)	(26,642)
(c) advertising and marketing	-	(235)
(d) leased assets	(3)	(19)
(e) staff costs	(2,372)	(8,420)
(f) administration and corporate costs	(2,695)	(7,133)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(432)	(1,119)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>21</b>	<b>43</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(228)	(435)
(d) investments	-	(324)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(228)</b>	<b>(759)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,585
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(365)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(264)	(2,769)
3.7	Transaction costs related to loans and borrowings	(50)	(105)
3.8	Dividends paid	-	-
3.9	Other (interest from convertible notes)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(314)</b>	<b>2,346</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,152	3,001
4.2	Net cash from / (used in) operating activities (item 1.9 above)	21	43
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(228)	(759)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(314)	2,346
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,631</b>	<b>4,631</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	4,026	4,552
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	605	600
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,631</b>	<b>5,152</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
140
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.1 – Directors’ Salary paid to Executive Directors.



**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	12,843	12,843
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>12,843</b>	<b>12,843</b>

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

\$12.093m loan from Macquarie Bank, secured by 1<sup>st</sup> ranking charge over all group companies, Interest rate 7%, Term expired 31 Mar 2020, currently under negotiation  
\$750k loan form Kalonda Pty Ltd, secured by shares held in security, interest rate of 10.5% pa. Repayable 30 June 2020.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	191
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,026
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,026
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>21.08</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

## 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.

Date: .....30 April 2020.....

Authorised by: .....  
(Paul Niardone – Managing Director)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.