

ASX ANNOUNCEMENT  
31 August 2020

## THE AGENCY DELIVERS 1<sup>st</sup> FULL YEAR +EBITDA & +CASHFLOW CONTINUES FINANCIAL & OPERATIONAL GROWTH

The Agency Group	FY20	FY19	% Change
Revenue (\$M)	41.86	28.34	+48%
EBITDA (\$M)	2.66	(4.25)	+163%
EBITDA - pre AASB16 (\$M)	0.71	(4.25)	+117%
Cashflow from operations (\$M)	0.33	(6.4)	+105%
GCI (\$M)	47.92	37.97	+26%
PUM	4,838	4,337	+12%
Home Loan Approvals (MSA) (\$M)	137.4	124.2	+11%

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

- FY20 EBITDA<sup>2</sup> of \$2.66 million
- Pre-adoption of AASB 16 leasing standard, FY20 EBITDA of \$711,714 - a \$4.9 million turnaround from FY19 EBITDA loss of \$4.25 million
- FY20 positive cashflow from operations of \$334,704, compared to FY19 negative cashflow of \$6.4 million
- Annual Group Revenue up 48% y-o-y to \$41.86 million
- Cash receipts of \$42.53 million, up 42% y-o-y from \$30 million
- Continued growth across all key operating metrics (Gross Commission Income, Properties under Management, properties sold, listings, recruitment, home loan approvals)
- Strong sales pipeline – results flowing through to 1Q FY21
- Cash at end of financial year of \$2.72 million (FY19: \$2.6 million)
- COVID-19 highlights effectiveness of established remote ready cloud-based platform and model to the industry, which will drive recruiting efforts over following quarters
- Estimated market asset value of rent roll and loan book in excess of \$27.0 million
- Actively pursuing strategic partnerships/JV opportunities to drive agent recruitment and sales revenue in the coming reporting periods

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

*"I am exceedingly proud of all The Agency has achieved in FY2020. To report a maiden EBITDA profit, positive cashflow, a strong gain in revenue and other key metrics is a major achievement and testament to the hard work and dedication of our agents and our staff, especially when considering the impact of COVID-19.*

*"Our quick response to COVID-19 has placed us in an enviable position, allowing us to rebound strongly in key markets. We have generated a strong sales pipeline which has flown through into the first quarter FY21 with a record 446 listings for July 2020.*

<sup>1</sup> Note: Financial figures are unaudited. FY19 figures take into account approx. six months of Top Level operations

<sup>2</sup> Post-adoption of new AASB 16 leasing standard

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The Agency Group Australia (ASX:AU1) (“The Agency” or “the Company”) is pleased to report continued growth during FY2020, delivering EBITDA of A\$2.66 million, its first full year positive EBITDA since inception.

Based on pre-adoption of AASB16 leasing standard EBITDA profit was \$711,714 for FY2020, representing a \$4.9 million turnaround on the previous year’s EBITDA loss of \$4.25 million.

In another milestone for the Group, The Agency reported its first full year positive cashflow from operating activities of \$334, 704 for FY20, a \$6.76 million turnaround on the previous year’s negative cashflow from operating activities of \$6.43 million.

Strong operating results were delivered (refer over page), despite the impact of the COVID-19 pandemic and resultant impact from restrictions on the real estate sector nationally during the latter part of the March and for the majority of June Quarter 2020.

For FY2020, the Consolidated Entity reported Annual Group Revenue of \$41.86 million, a 48% increase year-on-year (FY2019: \$28.34 million) which further highlights the effectiveness of the Company’s model.

The increase in revenue was primarily due to a 26% increase year-on-year in Combined Gross Commission Income to \$47.9 million (FY19: \$38 million). This figure was bolstered by 3,153 sales (up from 2,419 sales for FY19) and \$2.9 billion worth of property sold across the combined group for the FY2020 (FY19: \$2.5 billion).

Property management continues to grow with The Agency reporting a record total of 4,838 Properties Under Management as at 30 June 2020, up 12% on the prior corresponding period, generating ~\$9 million revenue annually.

The company also witnessed growth in its Mortgage Solutions Australia (MSA) business with home loan approvals for FY2020 up 11% year-on-year from \$124.2 million to \$137.4 million.

As at 30th June, The Agency was comprised of a combined 283 sales agents (East Coast: 142, West Coast: 141), with average Gross Commission Income (GCI) increasing by over 20% over the past twelve months. The Agency’s model of allowing agents to focus on sales and providing support is being demonstrated by the year-on-year increase in GCI.

The Agency will be looking to boost agent numbers in the coming quarters. Based on the company’s existing platform and cost structure, which is largely fixed, any future recruitment will directly contribute to EBITDA performance.

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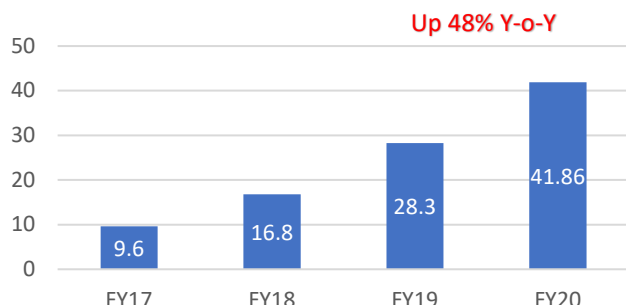
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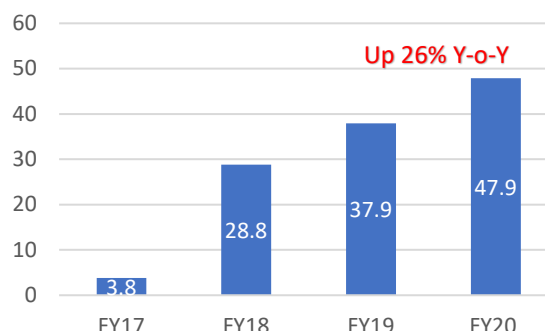


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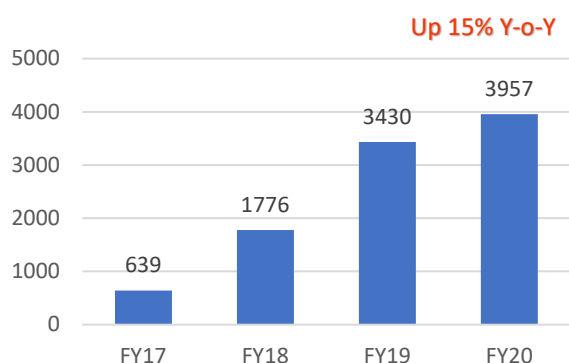
ANNUAL GROUP REVENUE (\$m)



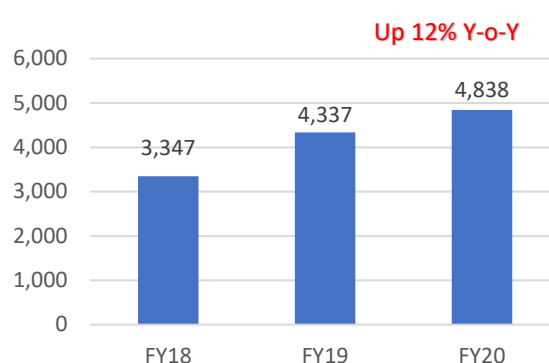
GCI (\$m)



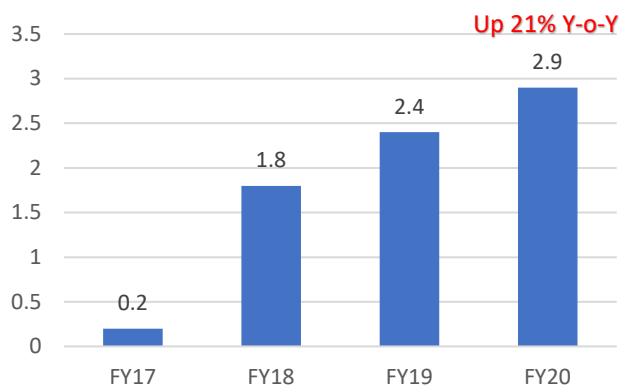
NUMBER OF NEW LISTINGS (#)



NUMBER OF PUM (#)



VALUE OF EXCHANGES (\$B)



## Financial Review

The net assets of the Group have increased from 30 June 2019 by \$2.51 million to \$11.54 million at 30 June 2020 (2019: \$9.03 million).

The Group incurred a net loss before tax for the year of \$10.36 million (2019: \$9.26 million loss). It is important to note that this was primarily impacted by depreciation and amortisation (over \$6 million) and impairment of goodwill (\$5.3 million).

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The Board has taken a conservative view on the review of its goodwill on historical acquisitions and believed it was appropriate to impair by \$5.3 million for FY2020, in light of market uncertainty as a result of COVID-19.

As at 30 June 2020, the Group's cash and cash equivalents increased from 30 June 2019 by \$126,843 to \$2.724 million at 30 June 2020 (2019: \$2.60 million).

There remain significant intangible assets off the balance sheet, these include the rent roll and the Mortgage Book. These assets contribute an annuity income to the business in excess of \$10 million per annum. Total estimated market asset value of rent roll and loan book is in excess of \$27.0 million.

Government incentives and related grants have been received during the last quarter of the year and were used to also support employee sales agents in Perth. These have been included in operational cashflows.

### **Rebound from COVID-19**

The Agency implemented a range of initiatives in the third quarter 2020 to deal with the fallout from COVID-19 including a seamless transition of its workforce to remote working using the Company's "remote ready" cloud-based platform.

With the restrictions on open houses and in-person auctions, the company quickly employed innovative solutions including digital viewings and auctions. The company reduced working hours of all staff (including management and board) temporarily in line with reduced workloads as well as a small number of redundancies.

As a result, the company retained the vast majority of its staff and successfully moved all staff back to full working hours and full salaries in June 2020.

Pleasingly, The Agency rebounded in June across key metrics as COVID-19 restrictions on open houses and in-person auctions eased in major markets. Results delivered in June are now flowing through with a strong sales pipeline into Q3 CY2020.

### **Future Developments, Prospects and Business Strategies**

The Group remains focussed on maintaining a sustainable financial framework and continues to identify and implement efficiencies into its business.

The Agency is also active in pursuing a range of strategic partnerships and JV opportunities it believes will drive agent recruitment and sales revenue in the coming reporting periods.

**This ASX release has been approved for release by the board.**

**ENDS**

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