

THE AGENCY

September 2018

The Agency Group
Australia Ltd

ASX.AU1



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NOT AN OFFER

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The Agency

Disrupting the real-estate industry

Fully integrated
real estate and
financial services
company

293

Agents

~\$250m

Listings Value

194%

Growth in group revenue for the year

June 2016
\$6.6m

June 2017
\$10.0m

June 2018
\$29.3m

265%

Growth in group GCI for the year

June 2016
\$2.0m

June 2017
\$7.9m

June 2018
\$28.8m

Overview

- The Agency Group (ASX.AU1) is one of Australia's fastest growing real estate agencies – agent recruitment model to deliver high growth while generating value for customers
- In 18 months since listing on the ASX, The Agency Group has grown to 293 sales agents across 2 brands and managing over 4,000⁽¹⁾ rental properties
- With two distinct and differentiated models The Agency Group aims to disrupt the Australian real estate brokerage market
- Business has been built for scale with ability to materially grow to its number of agents and properties under management with limited capital expenditure or increase in corporate overheads

THE AGENCY



- | | |
|--|---|
| <ul style="list-style-type: none"> • 190 Agents and 4,175⁽¹⁾ properties under management • Premium brand with 9 physical locations nationally • Full service offering, that provides agents with: <ul style="list-style-type: none"> – Progressive commission structure – Opportunity for agents to participate in the value of property management, mortgage broking, financial planning and insurance • Recruited 100+ agents in the last 12 months with an extensive pipeline | <ul style="list-style-type: none"> • 103 Agents • Value brand with virtual presence predominantly across WA and QLD • SaaS offering, that provides agents with: <ul style="list-style-type: none"> – Progressive commission structure – Opportunity for agents to participate in the value of property management and mortgage broking – Add on settlement services • Unique technology supports the entire administrative process for real estate transactions |
|--|---|

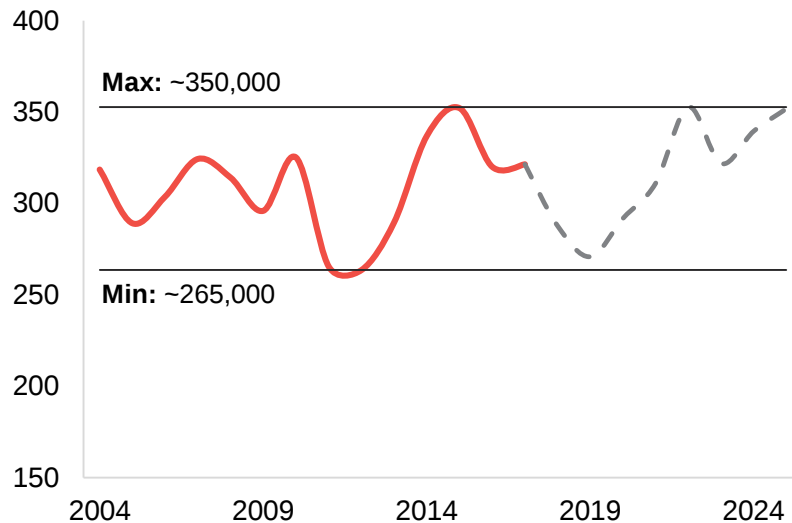
Notes:

(1) Subject to completion of rent roll acquisition of 210 Properties Under Management. Pre-acquisition number of Properties under Management is 3,965.

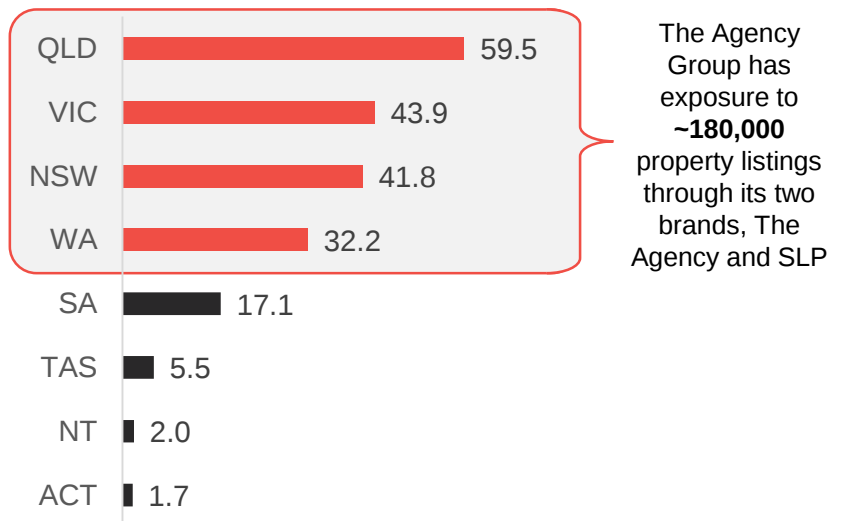
Market Size

- The real estate services industry is very large and fragmented:
 - Market size of \$14.2bn⁽¹⁾, with ~\$300bn in gross value of housing sales in the last 12 months⁽²⁾
 - Industry revenue is forecast to grow at an annualised rate of 1.7% p.a. over the next 5 years⁽¹⁾
 - ~40,000 individual businesses with 97% employing fewer than 20 people⁽¹⁾
 - ~55,000 real estate agents in Australia⁽³⁾
- Residential real estate transactions remain one of the most significant for most Australian's – requires personalised service
- Notwithstanding housing price cycles real estate brokerage is driven by market volumes, with limited volatility

Number of Australian housing transfers per year⁽⁴⁾ ('000)



Number of property listings as at 31 Dec 2017 ('000)⁽⁵⁾



Sources:

(1) Includes Property sales, Property management, Property leasing and Other services (Real Estate Services in Australia, IBISWorld, September 2017).

(2) Housing market update, National (CoreLogic, March 2018).

(3) Management estimates (June 2018).

(4) Real Estate Services in Australia Risk Ratings (IBISWorld, May 2018).

(5) Housing market update (CoreLogic, December 2017).

Market Opportunity

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- Australian real estate brokerage is dominated by franchised based brand networks
 - Of the \$14.2bn market size, over 50% of revenue is captured by franchise companies⁽¹⁾
 - Whilst market concentration has increased with smaller franchisees joining larger brands for additional support, fragmentation is still high, with the largest player representing less than 10% of market share⁽¹⁾
- Primary alternative for agents has been to establish their own operations, either stand alone or with peers. In exchange for a higher share of their fee income agents take on significant overhead cost and administrative burden
- Franchises create significant fee leakage away from agents with multiple layers of administration and costs
- The Agency brand provides an alternative to the traditional franchise model, returning previously leaked fees to the agent, with the same level of support
- SLP brand provides independent operations with a cost efficient platform
- As a B2B offering The Agency Group's brands have been positioned to provide Agents with an enhanced fee offering to traditional franchise operations minus the administrative burden of a stand alone operation



Sources:

(1) Real Estate Agency Franchises (IBISWorld, July 2017).

Market Position

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The Agency and SLP provide overall larger profits to the agent (higher revenue and lower costs) than a traditional franchise or independent operations.

	Traditional Franchise			THE AGENCY				Independent Operations	
	Franchisor	Franchisee	Agent	Head Office	Agent	Head Office	Agent	Principal	Agent
Revenue									
Commission	~10%	~40%	~50%	~25%	~75%	~15%	~85%	~40%	~60%
Property Management	✗	100%	✗	✓	Value Option	✓	Value Option	100%	✗
Mortgage	Upfront + Trail	✗	✗	Upfront + Trail	Trail	Upfront + Trail	Trail	✓	✗
Expenses	– Costs borne by Franchisee			– Costs borne by Head office – Agent has an optional desk fee of \$6,000 p.a.		– Costs borne by Head office – Agent has \$10,000 p.a. member fee, \$250 per transaction fee, and IT platform fee of \$720 p.a.		– Costs borne by Agent	
Level of Support									
Brand Support	✓	✓	✓	✓	✓	✓	✓	✗	✗
Overhead Support	✗	✓	✓	✗	✓	✗	✓	✗	✗
Add-on Services	✗	✓	✗	✓	✓	✓	✓	✗	✗
Corporate Benefits	✗	✗	✗	✓	✓	✓	✓	✗	✗

Traction

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- Over the last 12 months, the number of agents in The Agency Group increased from ~80 to 293 (annual growth of ~230%)
- Income from new agents typically materialises 6-12 months after recruitment. The 200+ agents recruited over the last 12 months are expected to achieve run-rate revenue over FY19 resulting in the group being EBITDA positive
- The Agency Group currently represents 0.5% of the Australian market. Compared to the largest group with an ~7.6% market share⁽¹⁾, a strong value proposition presents an opportunity to materially increase agent numbers in a fragmented market

Agent Ramp-up Profile*

A newly-recruited agent typically ramps-up contribution to revenue over 6 – 12 months

Run-rate revenue per agent

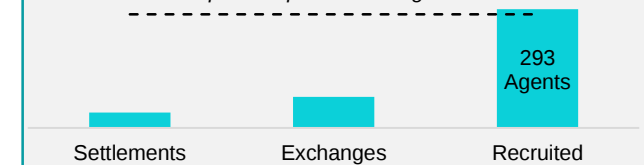


*For illustration purposes only – revenue over the initial 12 months.

EBITDA Positive Number of Agents*

At an estimated run-rate GCI per Agent of \$140,000, The Agency Group already has more than the ~290 Agents needed to be EBITDA positive

EBITDA positive point: ~290 agents



*For illustration purposes only – contribution by agents to GCI. Based on an estimated cost base of \$10m+, calculated as operating expenses less revenue from property management

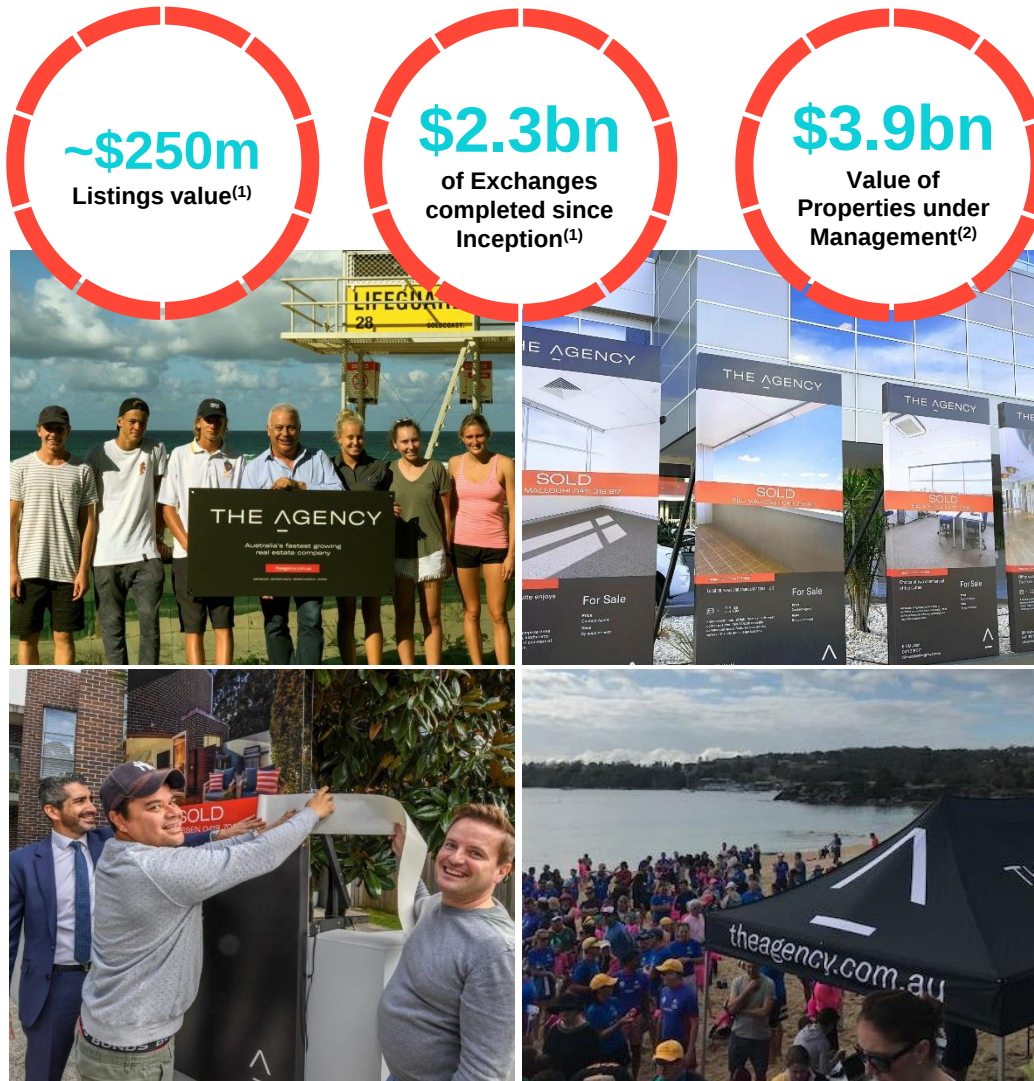


Number of Agents	WA	NSW	QLD	VIC	Total
THE AGENCY	71	98	12	9	190
SLP SELL LEASE PROPERTY Real Estate Results	94	-	8	1	103
Total	165	98	20	10	293

Sources:

(1) Real Estate Agency Franchises (IBISWorld, July 2017).

(2) Management estimates (June 2018).



Existing locations

- Continued recruitment of agents
- Inbound momentum increasing traction
- Customer paid advertising driving brand awareness
- Recruitment of Business Development Managers to drive agent onboarding

Geographic expansions

- The Agency is significantly underrepresented in Queensland and Victoria
- SLP predominantly in Western Australia with significant East Coast expansion opportunities

Network effect of referrals

- Internal agents
 - 1% of GCI referral reward
- Property management synergies
 - Provide opportunities for listings
 - Listings lead to additional property management

Cross sell of complementary services

- Success of mortgage integration in Western Australia shows opportunity for East Coast
- Cross sell of insurance e.g. landlord insurance

Notes:

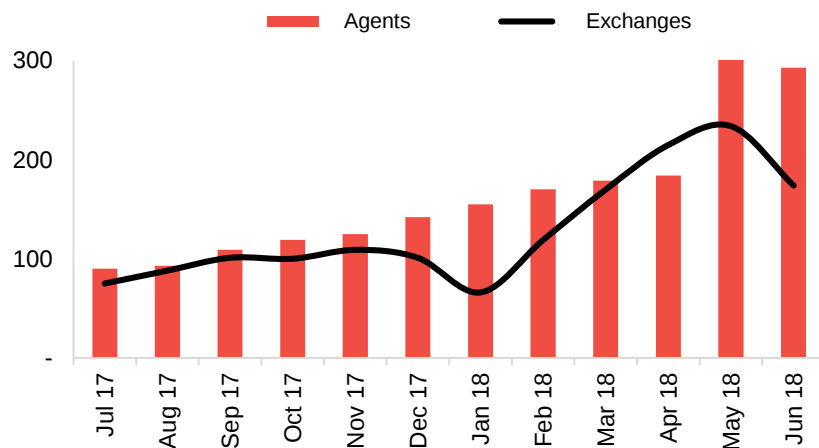
(1) As at June 2018.

(2) Weighted average using \$1,000,000 property valuation for 3,374 properties and \$600,000 property valuation for 801 properties. Subject to completion of rent roll acquisition of 210 Properties Under Management. Pre-acquisition number of Properties under Management is 3,965.

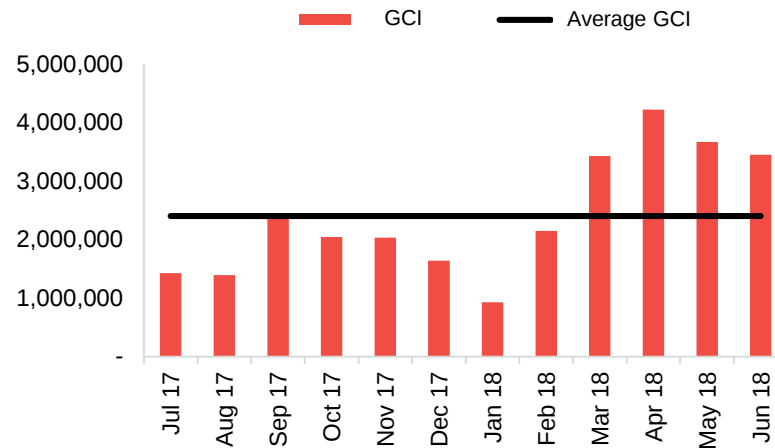
Performance

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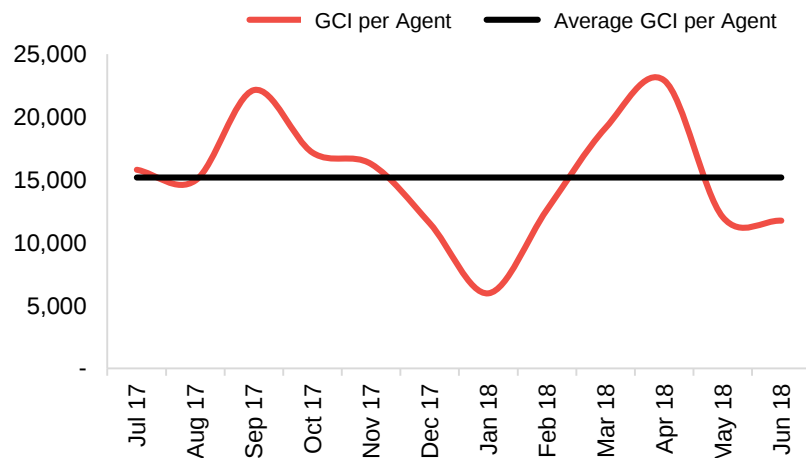
Number of Agents & Exchanges (#)



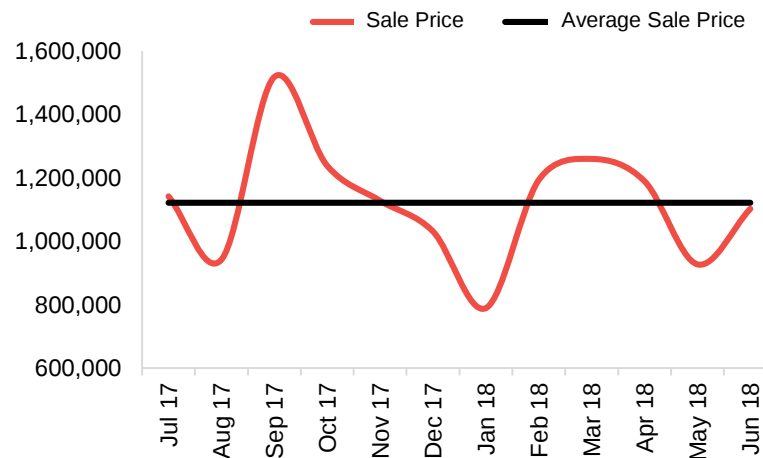
Total Monthly GCI (\$)



Monthly GCI per Agent (\$)



Average Sale Price (\$)



Source: Management figures based on 1 July 2017 – 30 June 2018 data (unaudited).

Financials – Profit & Loss

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Profit & Loss (\$m)

	Sep 17	Dec 17	Mar 18	Jun 18	FY18
Sales	2.7	3.9	3.9	4.6	15.2
Property Management	0.8	1.6	2.4	2.4	7.2
Other	1.5	1.6	0.9	3.0	7.0
Total Revenue	5.0	7.0	7.3	10.0	29.3
COGS	(2.5)	(3.3)	(3.4)	(5.2)	(14.4)
Gross Profit	2.4	3.7	3.9	4.8	14.9
<i>Gross Margin</i>	<i>49%</i>	<i>53%</i>	<i>53%</i>	<i>48%</i>	<i>51%</i>

Expenses	(4.6)	(5.5)	(5.3)	(6.7)	(22.1)
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EBITDA	(2.2)	(1.8)	(1.3)	(1.9)	(7.2)
<i>EBITDA Margin</i>	<i>(44%)</i>	<i>(25%)</i>	<i>(18%)</i>	<i>(19%)</i>	<i>(25%)</i>

Key Metrics

	Sep 17	Dec 17	Mar 18	Jun 18	FY18
# Agents	109	142	179	293	293
# Exchanges	264	310	355	623	1,552
GCI (\$m)	5.2	5.7	6.5	11.3	28.8
GCI per Agent (\$'000) ⁽¹⁾	53.7	44.4	38.7	43.5	175.9

Source: Management figures based on 1 July 2017 – 30 June 2018 data (unaudited).

Notes:

(1) Calculated as the GCI on the average number of agents in the respectively periods.

Financials – Pro-forma Balance Sheet & Key Assets

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Assets and Liabilities (\$m)⁽¹⁾

Assets	
Cash and cash equivalents	6.8
Trade & Other receivables	10.7
Current tax asset	0.2
Other current assets	0.0
Total current assets	17.7
Property, plant & equipment	3.0
Intangible assets	26.7 ⁽²⁾
Deferred Tax	3.9
Investments	-
Other	0.5
Total non-current assets	34.1
Total Assets	51.9
Liabilities	
Trade and other payables	16.8
Borrowings	3.5
Provisions	0.8
Total current liabilities	21.1
Borrowings	13.0
Other	0.4
Deferred tax liabilities	0.7
Lease incentives liabilities	0.8
Provisions	0.6
Total non-current liabilities	15.5
Total Liabilities	36.6
Net Assets	15.3

Shareholders Equity (\$m)⁽¹⁾

Equity	
Contributed Equity	27.0
Reserves	0.7
Accumulated losses	(12.5)
Total Equity	15.3

Key Assets – Rent Roll

Properties under Management	4,175 ⁽³⁾
Estimated Monthly Management Fee	\$645,766

Estimated Annual Management Fee	\$7.7m
Rent Roll Multiple	3.6x ⁽⁴⁾
Estimated Rent Roll Value	\$27.9m

Key Assets – Mortgage Book

Estimated Monthly Mortgage Trail	\$165,000
Estimated Annual Mortgage Trail (\$m)	\$2.0m
Mortgage Book Multiple	2.4x
Mortgage Book Value (\$m)	\$4.8m

Source: Management estimates based on 30 June 2018 data (unaudited).

Notes:

(1) Figures are assumed to be post Capital Raise of \$8,400,000.

(2) Excludes Mortgage Book asset – the Mortgage Book asset is held off-balance sheet.

(3) Subject to completion of rent roll acquisition of 210 Properties Under Management. Pre-acquisition number of Properties under Management is 3,965.

(4) Blended average based on Rent Roll Multiple estimates by geography.

Capital Raise⁽¹⁾

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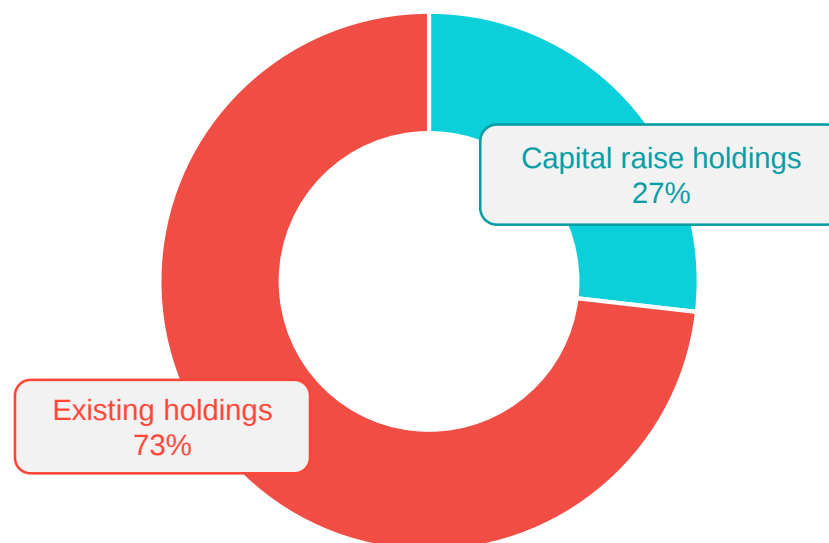
Sources & Uses (\$)

Sources		Uses	
Capital raise	8,400,000	Repayment of Existing debt	8,218,930
Debt to Equity swap	5,000,000	Cash for Working Capital	4,929,070
		Transaction costs ⁽²⁾	252,000
Total	13,400,000	Total	13,400,000

Capital Structure

Pre-raise	Share Price	\$0.010 ⁽³⁾
	Shares Outstanding	1,774m ⁽⁴⁾
	Market Capitalisation	\$17.7m
	Net debt	\$23.3m
	Enterprise Value	\$41.1m
Post-raise	Share Price	\$0.010
	Shares Outstanding	3,114m ⁽⁴⁾
	Market Capitalisation	\$31.1m
	Net debt	\$9.7m
	Enterprise Value	\$40.8m

Pro-forma Shareholding Structure



Notes:

(1) The proposed capital raise is conditional subject to shareholder approval. Refer to indicative timetable on Page 14.

(2) Transaction costs are ~\$500,000, with payment proportioned between cash and equity.

(3) As at 31 August 2018.

(4) Pre-share consolidation of 30:1. Shares outstanding expected to be 103.8m.

Indicative Timetable

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21st September: Shareholder Meeting

28th September: Settlement

Board of Directors

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Philip Re
Chairman

Chartered Accountant, Chartered Secretary and a Member of the Institute of Company Directors. In recent years he has been involved as a Director and Company Secretary for a number of public companies involving transactions in mining exploration and production and the renewable energy industry.



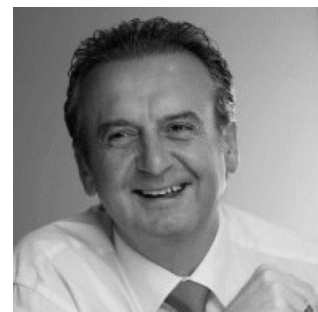
Paul Niardone
Executive Director

Previously Executive Director and founder of Professional Public Relations (WA), the largest PR and communications firm in the State until he sold the business to WPP. Experience in marketing and strategic planning for clients in both Government and the private sector and over 15 years experience with public companies.



Matt Lahood⁽¹⁾
Executive Director

More than 30 years in real estate sales; 2,000+ property sales worth over \$2bn. Previously Director of Sales for McGrath Real Estate, responsible for market entry strategies and management of 22 company owned offices and more than 250 people.



John Kolenda
Non Executive Director

John is the co-founder and Managing Director of Finsure Group, one of Australia's fastest growing retail finance brokerages, writing over \$1 Billion in new mortgages every month across 1300 brokers. He formed the Loan Market Group with Ray White and before that worked as the General Manager of Sales & Distribution of Aussie Home Loans, where he was responsible for the sales performance of over 700 mortgage advisors.



Adam Davey
Non Executive Director

Adam is Director, Private Clients and Institutional at Patersons Securities. His expertise spans over 25 years and includes capital raising (both private and public), mergers and acquisitions, ASX listings, asset sales and purchases, transaction due diligence and director duties.

Senior Management

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Paul Niardone
Managing Director



Matt Lahood⁽¹⁾
CEO – The Agency



Andrew Jensen⁽¹⁾
Chief Financial Officer

Andrew Jensen has extensive knowledge in the management of all aspects of the finance function with strong commercial, strategic, M&A, and change management experience. He has financially led companies engaged in various fields including real estate, financial services, telecommunications and the franchising sectors both in Australia and Internationally.



Steven Chen⁽¹⁾
Director of Projects – The Agency

Over 20 years' experience in real estate sales delivering over 3,000 properties worth in excess of A\$2.5bn. Ranked 16 in the top 100 agents of 2016 by REB. Previously Head of Projects for McGrath Real Estate where he was responsible for a team of eight Associate Directors and over 50 agents and support staff across Sydney, Brisbane and Gold Coast.



Maria Carlino⁽¹⁾
Director of Property Management

Over 27 years of real estate experience in key markets incl. Sydney, Brisbane and the Gold Coast. Previous senior roles at RUN Property, Ray White and McGrath Real Estate where she was responsible for the management and growth strategies of the rental portfolio and team across all company owned offices.

