

ASX ANNOUNCEMENT

29 October 2020

\$11M FUNDING PACKAGE SETS FOUNDATION FOR GROWTH

Highlights¹

- **The Agency Group secures a long-term funding package to underpin continued growth plans**
- **Funding package made up of:**
 - **\$5 million in Convertible Notes to be issued to private investment company Peters Investments Pty Ltd**
 - **\$1 million of Convertible Notes previously issued to Peters Investments Pty Ltd**
 - **An extended \$5 million Macquarie Bank primary secured debt facility (down from \$12 million and subject to shareholder approval of the Convertible Notes) with final documentation and terms to be finalised**
- **Macquarie Bank to provide an extended Forbearance Deed to provide sufficient time for the shareholder meeting to occur and final loan documentation to be executed**
- **~\$3.5 million sale of WA property management portfolio to Managex Funds Management Pty Ltd settled**

The Agency Group Australia Ltd (ASX:AU1) ("The Agency" or "the Company") has secured a long-term \$11 million funding package that provides the Company with an opportunity to strengthen its financial position and balance sheet to continue its national growth plans.

Commenting on the new funding package, The Agency Managing Director, Paul Niardone, said: "While we received and reviewed a range of financing options, following a review of these by the board and its advisors we believe we have secured an outcome that provides the most optimal financial framework to fund our long-term growth plans.

"The Agency Group will have greater funding certainty across its business and an improved cash position going forward."

In early 2020 The Agency appointed BDO to advise on the optimal debt and equity structure for the company and to assist the board review the financing options presented.

The positive findings of the recently completed BDO report, together with an independent valuation of the company's assets, assisted the board to determine the most optimal funding package to fund its future growth.

It was determined that a key element of the funding package was to have current primary funder and leading banker to the property industry, Macquarie Bank Limited ("the Funder"), continue to support The Agency, albeit at a reduced primary secured debt position, and that it was necessary for the primary secured debt position to be reduced and for the Company to attract additional funding.

To this end, the Company has:

- Sold its West Coast Property management portfolio to Managex Funds Management Pty Ltd and applied received funds to debt reduction,
- Secured \$5 million in new funds through an additional funding package (detailed overleaf), and

¹ All financial figures provided in this announcement are unaudited.

- Received confirmation from the Funder that, subject to shareholder approval for the additional funding package, it would reduce its primary secured debt position from ~\$12 million to \$5 million and extend the repayment period to 24 months.

The Funder will issue an extended Forbearance Deed to enable a shareholder meeting to occur to approve the new funding package.

Subject to shareholder approval and the entering into of appropriate loan documentation, it is envisaged the primary secured debt of the company (\$5 million) would be less than 20% of the current asset value of the Company (~\$27 million).

A recent valuation conducted by leading experts in property management portfolio valuations, Jemmeson Fisher, valued The Agency's property management portfolio at +\$23 million alone.

Additional funding package

In accordance with a convertible note agreement entered into in May 2020 between the Company and Peters Investments Pty Ltd ("Peters Investments"), an investment company headed by prominent Australian businessman Bob Peters, Peters Investments has exercised its right to refinance the Company's Macquarie Bank debt facility and has entered into a further convertible note agreement ("October Note Agreement") to subscribe for 5,000,000 convertible notes ("Notes") in the Company with a combined face value of \$5 million.

Subscription for, and issue of, the Notes is conditional upon, amongst other things, the Company obtaining the approval its shareholders within 90 days of execution of the October Note Agreement to issue the Notes.

The terms of the Notes, including other conditions to the subscription and issue, are annexed to this announcement.

Subscription for the Notes by Peters Investments is in addition to the subscription for \$1 million in convertible notes in May 2020². Subject to receipt of ASX and shareholder approval, the terms of the convertible notes issued in May 2020 will be amended to be in line with the new Note terms.

WA Property Management Portfolio Sale

The Company is pleased to confirm that the sale of its West Coast property management portfolio to Managex Funds Management Pty Ltd ("Managex") has been settled.³

Funds from the Notes and sale of WA property management portfolio have been used to reduce the Funder secured debt to \$5 million, with excess funds to be used for any future working capital requirements.

The sale is part of a strategic partnership between The Agency and Managex, a private company chaired by Future Fund board member John Poynton with Kim Slatyer as Managing Director.

Both parties have entered a reciprocal referral agreement whereby all sales leads that come from Managex are referred in first instance to The Agency while all WA property management leads from The Agency will be referred to Managex.

The parties will proactively work together to identify future acquisition opportunities. The strategic partnership will drive sales team recruitment and additional property sales from the Managex acquired rent rolls to the Agency.

² Refer to ASX announcement dated 15th May 2020

³ Refer to ASX announcement dated 9th September 2020

Managex, who secured debt funding for the acquisition from Judo Bank, will use The Agency Group brand in WA with staff to be based at The Agency's Perth office.

The sales agreement does not include The Agency Group's East Coast property management business.

This announcement has been released with the approval of the Agency Group board.

Ends

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Convertible Note Terms – October Note Agreement

Investment Amount: \$5,000,000.

Face Value: \$1.00 per Note.

Investment Conditions: Due diligence: Completion of due diligence by Peters Investments.

Satisfaction of Macquarie Conditions: The satisfaction of all other conditions imposed by Macquarie Bank to amend the terms of its senior debt and the Forbearance Deed.

Financing documents: Entry into the financing documents required to complete the matters contemplated by the October Note Agreement.

Amendment to May 2020 Convertible Note: To the extent that the convertible notes issued in May 2020 are not converted:

- the terms and conditions of the convertible notes issued in May 2020 are amended so that they are the same terms and conditions as the Notes; and
- the amended terms and conditions of the convertible notes issued in May 2020 have been approved by the ASX and shareholders.

ASX Approval: Receipt of confirmation from ASX that the terms of the Notes and the amendments to the convertible notes issued in May 2020 comply with ASX Listing Rule 6.1.

Shareholder approval: Shareholders approving the issue of the Convertible Notes.

The conditions set out above must be satisfied as soon as practicable after the date of the October Note Agreement and in any event by early December 2020.

Maturity Date: 31 March 2023, unless otherwise agreed in writing by the parties.

Interest rate: Interest to be the higher of 8%p.a. and the interest rate of the remaining senior debt accruing from 1 October 2020.

Security: Secured by a charge over all of the assets of the Company subordinate to Macquarie Bank's security over all of the assets of the Company for so long as any debt remains outstanding to Macquarie Bank.

Conversion Price: To be converted into shares at the lower of \$0.027 and the issue price of shares offered under any subsequent capital raising completed by the Company to raise over \$1 million, on or before the Maturity Date.

Conversion: Subject to the suspension provision below, the Noteholder may convert some or all of the Notes held by the Noteholder into Shares (including those Convertible Notes which following the occurrence of a Redemption Event, the

Noteholder has not required the Company to redeem) at any prior to the Maturity Date by delivering to the Company:

- an executed Conversion Notice specifying the number of Notes to be redeemed and converted;
- the Note Certificate(s) in respect of the number of Notes to be redeemed and converted; and
- advising the Company in writing if the Noteholder wishes for the interest on the Notes to be paid in cash.

Suspension of conversion rights:

Upon the announcement of a trade sale, scheme of arrangement or takeover (each, a **Takeover Event**) by the Company, to the extent required by the ASX Listing Rules and/or the Corporations Act the Noteholder's right to convert the Notes will be suspended until the earlier of:

- completion of the Takeover Event; and
- termination of the Takeover Event.

Redemption on Maturity Date:

If the Notes have not been redeemed or converted in accordance with the October Note Agreement prior to the Maturity Date, the Company must repay the face value of the Notes and all accrued but unpaid interest to the Noteholder in cash on the Maturity Date and the Notes will be deemed to have been redeemed by the Company on that date.

Options

The October Note Agreement also provides that the Company will issue Peters Investments with a total of 12,000,000 options to acquire shares ("Options"), 8,829,559 of which will be issued under the Company's current placement capacity and 3,170,441 subject to receipt of shareholder approval. The Options are exercisable at \$0.027 on or before 31 March 2023.

Facilitation Fee:

A fee of 3.0% of the amount of the Notes issued pursuant to the October Note Agreement, being an amount of \$150,000.

The facilitation fee will be capitalised and added to the face value of the \$5,000,000 Investment Amount advanced for the Notes.

Events of Default:

Standard events of default.

Other terms:

The October Note Agreement contains such additional and supplementary provisions, including, without limitation, customary warranties for an agreement of this type.