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## MEDIA RELEASE

28 August 2009

### RUN RELEASES 2009 RESULTS

RUN Corp Limited today released the company's consolidated results for the year ended 30 June 2009 as set out in the Appendix 4E Preliminary Final Report lodged with the Australian Stock Exchange today:

	2009 Actual (\$'000)	2008 Actual (\$'000)
Property management commission	18,494	18,384
Other revenue	6,148	6,615
Litigation settlement proceeds	-	4,000
Total revenue and other income (excluding interest received)	24,642	28,999
<b>EBITDA</b>	<b>2,604</b>	<b>2,352</b>
Net finance cost	(3,034)	(2,999)
<b>EBTDA</b>	<b>(430)</b>	<b>(647)</b>
Depreciation and amortisation	(6,114)	(6,098)
Taxation (charge)/benefit	1,751	1,538
Net loss attributable to members	(4,793)	(5,207)

Six monthly analysis for 2009 as follows:

	2009 2 <sup>nd</sup> half (\$'000)	2009 1 <sup>st</sup> half (\$'000)
Revenue	12,398	12,181
Operating expenses	(10,236)	(11,739)
<b>EBITDA</b>	<b>2,162</b>	<b>442</b>
Interest	(1,566)	(1,468)
<b>EBTDA</b>	<b>596</b>	<b>(1,026)</b>

### Business Strategy and Operations

RUN Property CEO Mr Rob Farmer said that the Company has continued to improve during the financial year ended 30 June 2009, and this is particularly demonstrated by the improvement in 2<sup>nd</sup> half performance when compared to the 1<sup>st</sup> half of financial year 2009.

This financial improvement is due to:

- Stabilised property management commission income (by 30 June 2009, Victoria was recording net positive growth with the rate of net property losses diminishing in New South Wales and Queensland. There is a reasonable view that all states will be recording growth by the end of the 2009/10 financial year);
- Establishment of referral channels for new business;
- Growth of the Agentplus business;
- Establishment of the RUN Property Franchise programme in the 1<sup>st</sup> half of the year; and
- Substantial reduction in operating expenses due to better staff utilisation.

“Our property management revenues were stable and we implemented a number of cost initiatives which were reflected in our trading results for the second half of the financial year” Mr Farmer said.

Mr Farmer said that the business continues to invest heavily in enhancing its unique IT systems, and through AgentPlus is able to provide trust accounting and other services to third party Real Estate Agents, including Elders and Rental Express. At the end of June 2009, Agentplus serviced 4,597 non RUN properties on its platform. As at the date of this report this has increased by 2,048 properties, to 6,645 properties.

Mr Farmer said that RUN Property is continuing to develop a range of strategies to increase properties on the platform. These initiatives include, but are not limited to:

- Preferred management arrangements with developers;
- Referrals from financial planners, accountants and mortgage brokers;
- RUN Franchise program;
- Continued Agentplus growth; and
- Property sales.

## **Financial Performance**

Total Earnings before Interest, Depreciation and Amortisation (EBITDA) for the year was \$2,604k compared to EBITDA \$2,352k for the previous year. The previous year included \$1.279 mill in profit from a disclosed legal settlement.

Taking this into account, EBITDA for 2009 exceeded the prior year by \$1,531k, a consequence of \$357k in lower operating revenue offset by \$1,888k in lower operating expenses.

The marginal decrease in revenue was attributable to \$699k in lower sales commission mitigated by \$138k in higher Agentplus revenue and \$204k in higher management commission, letting & ancillary fees.

The higher management commission is the reason that the valuation of the rent-roll has been maintained (rent roll valuations are based on a multiple of annualised property management commissions).

There has been a concerted effort to reduce the operating cost base and, excluding litigation settlement costs, operating costs have reduced by 8% from the previous year. The majority of these savings are in employee related costs, with a \$1,304k reduction compared to the prior reporting period. The Company has reduced headcount (FTE equivalents) from 239 employees at June 2008 to 197 at June 2009. The financial impact of these savings was primarily reflected in the second half of the financial year.

Depreciation and amortisation, both non cash flow items, primarily reflect the Company's policy of a 15-20 per cent per annum amortisation charge on purchased Property Management Rights. The Company reviewed the amortisation rate on property management rights and the Directors view it is still appropriate to amortise this asset over a period of between 5-6 years.

Net interest expense includes the financing costs of our \$38.5 million bank facility. Net interest expense of \$3,034k for the year was \$35k higher than the previous year reflecting an approximate 2% increase in the bank margin effective from April 2009 mitigated by lower variable bank bill rates in the last 6 months.

In accordance with group policy and the requirements of Australian equivalents to International Reporting Standards the carrying value of the property management rights, both the identifiable intangible and the goodwill associated with property management rights have been assessed for impairment.

In line with previous reporting periods, goodwill and intangible assets relating to property management rights acquired through business combinations are being managed on a State by State basis.

The impairment test has been conducted on the fair value method, based on valuer letters received from independent valuers. Based on this analysis, the directors believe that the fair value of the intangible assets exceeds the carrying value, with no adjustment needed

### **Forecast 2009/2010**

Mr Farmer said that the key areas of focus over the coming 12 months were to:

- continue to improve the financial performance of the business;
- expand RUN Property into new geographical areas and organically increase the number of properties managed;
- increase Agentplus revenue streams by bringing additional properties and customers onto the platform;
- implement and support initial RUN franchisees;
- further reduce debt; and
- maximise revenue streams, using the RUN property database as leverage.

The Company is forecasting an EBITDA of \$4.2 million for the current year which includes investment into new business initiatives which are initially EBITDA decreative.

### **Executive Bonus Commitments**

The executive management team exceeded the EBITDA budget in the financial year 30 June 2009 by 133%. Due to this achievement, the CEO and CFO were eligible to receive in aggregate

- A total of 9,412,670 shares, to be issued on release of these results, and
- Cash bonus of \$284k, to assist with the taxation payable on the shares

In addition these executives, in aggregate, are eligible to receive performance rights as follows

- 3.2 million shares to be issued on release of these results, subject to ASX restrictions, and
- 3.2 million shares to be issued based on continued employment until end June 2010

No further bonuses will be payable to these executives until the Company achieves EBITDA of \$8 million.

RUN Property chairman, Mr Nathan Cher, said that this reflected the view of the Board that executive and senior management should control a significant equity stake in the company.

### **Capital and Funding Structure**

At 30 June 2009, the Company had bank debt of \$37 million with \$3,114k cash on deposit. In addition the Company had \$1.5 million un-drawn under its \$38.5 million facility.

The Company had previously fixed the rate on \$20 million of debt at 6.92%.

As announced to the market on 19 December 2008, the converting notes and options previously granted to Elders were cancelled. Accordingly, RUN will not be required to issue ordinary shares with respect to either the converting notes or the options that were issued to Elders.

Under the terms of the converting notes issued in August 2007, a maximum number of 28,868,709 shares will be issued to NCN Investments (Pty) Ltd and Rentamobile (Pty) Ltd by end August 2009.

#### **Shareholder enquiries:**

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