

### McGrath FY19 results within guidance

26 August 2019 - McGrath Limited (ASX: MEA) has announced its results for the 12 months ended 30 June 2019 (FY19), that saw the Company deliver an underlying EBITDA loss of \$6.4 million, which is within guidance provided in June 2019.

#### **FY19 (vs FY18) results overview:**

- Revenue down 17% to \$82.7 million
- Underlying EBITDA loss of \$6.4 million – in line with guidance
- Reported EBITDA loss of \$10.1 million is after the impact of onerous contracts expense of \$3.7 million
- Net Loss after tax of \$15.6 million is after the impact of one- off impairment charges of \$3.4 million
- Strong balance sheet with no debt and \$10.3 million cash
- Adjusted Net Assets per share of approximately 43 cents

#### **FY19 saw weakened real estate industry conditions impact sales volumes and sales prices**

Due to the difficult market conditions, lower sales volumes and prices were down nationally 17.5% and 6.9% respectively for the 12 months to June 2019. Sales volumes were down in key markets of Sydney (21.9%) Melbourne (27%) and Brisbane (13.4%) during the period, with prices down 9.9%, 9.2% and 2.6% respectively. The market conditions resulted in the lower revenues and underlying EBITDA lower at \$6.4 million (before \$3.7 million onerous contract charges), in line with market guidance.

McGrath CEO Geoff Lucas said, “Despite the challenging conditions, we have gained market share based on sales transactions data published by CoreLogic. We continue to re-invest into our operations to create the best possible environment to list, sell and manage real estate, ensuring our agents are best placed to efficiently deliver the best possible results to our clients.”

#### **Strong balance sheet with no debt and \$10.3 million cash**

McGrath’s balance sheet remains strong with net assets worth \$30.8 million, with no debt and \$10.3 million cash at 30 June 2019.

McGrath’s Property Management and Oxygen portfolio are valued by management on current market conditions at approximately \$52 million, with only \$11 million of this value included in the Balance Sheet. Including this additional value, Adjusted Net Assets are estimated to be worth \$72 million. With 167.9 million shares on issue, this represents an estimated Adjusted Net Asset per share value of approximately 43 cents.

McGrath will not pay a final FY19 dividend. McGrath’s dividend policy will be reinstated as soon as it is deemed prudent.

## Outlook

McGrath CEO Geoff Lucas said, "The market has remained challenging over the past 12 months, however we remain optimistic about the future. We recognise that cost control is imperative to reflect the difficult operating environment, and this is an ongoing focus while we continue to grow our core business, enhance our technology solutions and utilise data driven applications to enhance our customer experience.

"Notwithstanding market conditions, we have seen improved buyer sentiment in recent months. This sounded the bell for property market stabilisation, along with APRA's easing loan serviceability criteria and subsequent interest rate drops all contributing to the bottoming of the residential sector. However further interest rate reductions, as welcome as they may be, signal a challenging mid-term economic outlook.

"While listing volumes remain at a decade low by up to 30% compared with historical levels, we have seen stronger auction clearance rates and healthy buyer engagement. This signals an eventual recovery in listings volumes, indicating a potentially later spring/summer selling season this financial year."

Mr Lucas said that the company has successfully integrated data driven technology improvements into the business, rolling out the new operating software to 50 of its 98 current offices in just five months, and expect completion of that rollout by December 2019. "This has enabled us to focus on servicing our agents and consumers with access to quality data, generating enhanced productivity and customer engagement."

He also signalled that McGrath has recommenced a further roll-out of premium franchise offices in key markets along the Eastern Seaboard, while optimising the company owned footprint.

Mr Lucas confirmed three strategic acquisitions in FY19 of sales businesses with quality rent rolls in key growth areas. Two acquisitions were market leaders who returned to the business, after operating their own franchise businesses outside McGrath.

"We believe there is opportunity for further industry consolidation and McGrath's Board and Management will continue to assess potential acquisitions in FY2020", Mr Lucas concluded.

-Ends-

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### About McGrath:

McGrath Limited (ASX: MEA) has grown to be an integrated real estate services business, offering agency sales, property management, mortgage broking and career training services. McGrath Estate Agents currently has 98 offices located throughout the East Coast of Australia. For further information, please visit [www.mcgrath.com.au](http://www.mcgrath.com.au).

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