

### McGrath Announces \$10 million EBITDA Turnaround

August 24, 2020 - McGrath Limited (ASX: MEA) (McGrath or the Company) today announced its FY20 full year results.

#### FY20 vs FY19 results financial highlights

- Revenue up 11% to \$91.69 million
- EBITDA<sup>1</sup> of \$3.7 million a \$10.1 million turnaround from Underlying EBITDA loss of \$6.4 million<sup>2</sup>
- Statutory reported EBITDA of \$11.8 million following adoption of AASB leasing standard and Government COVID grants
- NPAT of \$700,000, a significant turnaround compared with FY19 loss of \$9.7 million
- Successful acquisition of four Company Owned Offices and increased market share
- Strong Balance sheet with \$17.3 million Cash (FY19: \$10.2million) and no debt

McGrath Limited has announced a significant turnaround with Underlying EBITDA of \$3.7 million, excluding \$2.2 million worth of Government COVID-related grants, for the year to 30 June 2020, compared with a loss of \$6.4 million in the previous year.

The group posted an 11 per cent lift in revenue to \$91.69 million for the year and a 31 per cent rise in sales per agent for the period, despite the negative effects of the COVID pandemic on the residential property sector in the last quarter.

We are pleased with the \$10 million turnaround, a return to after-tax profit and further strengthening of our balance sheet with \$17.3 million in cash. Our business performed significantly better than the market during the year and we have a strong platform on which to build in 2021, notwithstanding the ongoing impacts of COVID.

McGrath implemented a range of initiatives during the third quarter to protect the safety and wellbeing of all our workforce and our clients, successfully transitioning the business to digital auctions and viewings, while the group's Melbourne-based offices, which make up approximately 1.5 per cent of group revenues, remain closed during the Stage 4 Restrictions.

We are proud of our team in the way they have responded to the recent challenges and continued to operate effectively and efficiently. Having implemented salary reductions of 30 per cent to 40 per cent for a three month period and successfully navigating the COVID crisis to-date, we are pleased today to confirm to our team that we will repay these reductions to those who were affected, forthwith.

A number of initiatives put in place during the year contributed to the turnaround, including:

- Headquarter's move to a new state of the art office in Sydney's technology hub of Pyrmont, with the inclusion of an industry-leading training facility;
- Reinvigorated IT solution focused on a new CRM platform rolled out to McGrath's 97 company owned and franchised offices.

- The launch of a new data centric website, providing over 500 vendor and landlord leads and over 11,000 buyer enquiry leads during the year.
- Continued revitalisation of the property management businesses, with a focus on improving the customer experience;
- Successful acquisition of four Company Owned Offices (Millers Point, Castle Cove, Northbridge and Wilston), complementing the addition of new Franchise offices in Ulladulla, Mollymook, Albury|Wodonga and Mansfield.

### **Strong Balance Sheet**

McGrath closed off the financial year with no debt, \$17.3 million in cash and \$30.2 million in net assets. The company notes that its rent roll has a market value estimated to be worth \$52.2 million, of which \$38.5 million is not reflected on the balance sheet.

Given the uncertain economic environment and conserving cash for business reinvestment, the Board has decided to not pay an FY20 dividend. McGrath's dividend policy will be reinstated as soon as it is deemed prudent.

### **FY21 Key Priorities**

- Lead industry consolidation with earnings accretive acquisitions, as attractive opportunities emerge in this difficult economic environment
- Focus on recruitment of high performing and experienced agents
- Increasing the Company Owned Property Management portfolio and revenue from this business
- Redesign of processes to improve the agent experience, lifting listings and sales
- Continued cost focus resulting in improvement in operating efficiencies and legacy systems.

### **Outlook**

- While dwelling prices are expected to decline over coming months, the government stimulus packages, support by the banking community and record low interest rates, are likely to cushion the extent of decreases.
- Melbourne's Stage 4 Lockdown is expected to have limited impact on McGrath's FY21 results.
- Some softness in rents is likely to continue through the uncertain economic conditions expected throughout the 2021 financial year
- McGrath is expecting continued market share gains, with experienced agents and strong brand positioning
- Ongoing consolidation of a highly fragmented industry, presenting acquisition opportunities.

-ENDS-

This Announcement was authorised for release by McGrath Limited's Board of Directors.

<sup>1</sup> Pre-adoption of new AASB 16 Leasing standard and not including Government Grants  
<sup>2</sup> Statutory reported loss \$10.1m after on off \$3.7m impairment charges.

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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 99 offices located throughout the East Coast of Australia. For further information, please visit [www.mcgrath.com.au](http://www.mcgrath.com.au).