



ASX ANNOUNCEMENT

24 August 2020

ASX Markets Announcement Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

FY2020 Results Investor Presentation

Please find attached for release to the market, McGrath Limited's *Investor Presentation for full-year results* for the year ended 30 June 2020.

-ENDS-

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

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.

For Investor and media enquiries, contact:

Investors

Howard Herman CFO
+61 2 9386 3333

Media

Terri Sissian
+61 419 881 414

MCGRATH LIMITED (ASX: MEA)

Investor presentation for Full year Results 30 June 2020



McGrath

24 August 2020

KEY MESSAGES

UNDERLYING EBITDA

1st Half improvement continued in 2nd Half resulting in FY20 EBITDA Underlying \$3.7m – a \$10.1m turnaround from FY19

NET PROFIT

Return to Net Profitability of \$700k vs FY19 \$15.6m loss

BALANCE SHEET

Strong Balance Sheet with zero debt and a \$17.3m Cash Balance, a \$7m increase from FY19

FINANCIAL HIGHLIGHTS



\$10.1m TURNAROUND IN UNDERLYING EBITDA

\$m	Statutory			Underlying ¹		
	FY20	FY19	Change	FY20 (Pre AASB16 and Govt Grants) ¹	FY19 (Pre AASB16 and One Off Items) ¹	Change
Revenue	91.6	82.7	8.9	91.6	82.7	8.9
Other Income	2.1	0.0	2.1	0.0	0.0	0.0
Gross Profit	55.9	48.2	7.7	53.8	48.2	5.6
EBITDA	11.8	(10.1)	22.0	3.7	(6.4)	10.1
EBIT	0.7	(18.0)	18.7	(0.3)	(11.0)	10.7
Net finance (expense)/income	(1.8)	0.2	(2.0)	0.1	0.2	(0.1)
Net Profit/(loss) before tax	1.8	17.8	(16.0)	(0.2)	(10.8)	10.5
Income tax (expense)/benefit	(1.1)	2.2	(3.3)	(0.5)	1.1	(1.6)
Net Profit/(loss) after tax	0.7	(15.6)	16.3	(0.6)	(9.7)	9.2

- 11% increase in Revenues
- Year on Year growth across all business units
- Of the \$10.1m underlying EBITDA turnaround,
 - \$5.6m is a result of increase gross profit contribution
 - \$4.5m is a result of cost reductions (Cost of Doing Business at 54.1% - a reduction from 66.0% in FY19).
- Return to Net profitability

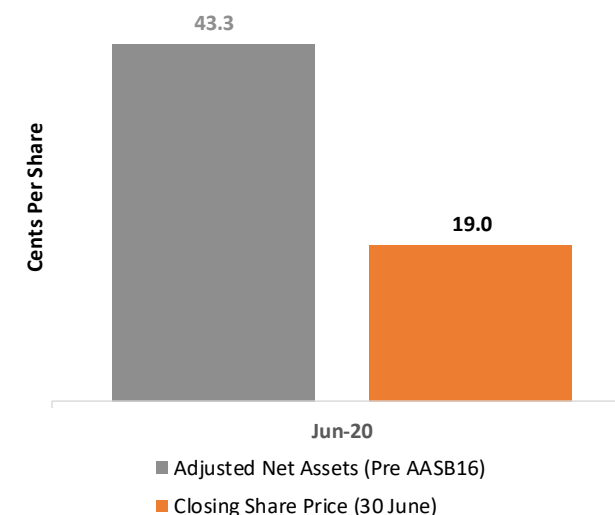
1. Underlying results adjusted for the impact of new AASB16 leasing standard and JobKeeper benefit. FY19 excludes impact of one off items recorded. A non A-IFRS measure
n.m = not meaningful

STRONG BALANCE SHEET WITH NO DEBT

Adjusted Net assets 43 cents per share

\$m	June 2020 (Statutory) (Post AASB16)	June 2020 (Pre AASB16) ¹	June 2019 (Pre AASB 16)	% Change (Pre AASB16)
Cash at Bank	17.3	17.3	10.3	68%
Net assets	30.2	31.2	30.8	1%
Total equity	30.2	31.2	30.8	1%
Assets not on Balance Sheet	41.1	41.1	40.9	0%
Adjusted Net Assets ¹	71.3	72.3	71.7	1%
Adjusted Net Assets (cents per share) ¹	42.7	43.3	42.7	30%

- **10.4 cents cash per share underpins a strong balance sheet and future growth opportunities.**
- Management's estimate of the Property Management rent roll value is \$52.2m based on a 3.5x multiple of 2H FY20 (annualised) Management Fees. Only \$13.7m of this value is held on the Balance Sheet
- Management's estimate of the Oxygen Mortgage Business is \$2.5m on a 2.5x of 2H FY20 (annualised) Oxygen trail income. None of this is held on the balance sheet.
- **Adjusted Net assets per share 43.3c**

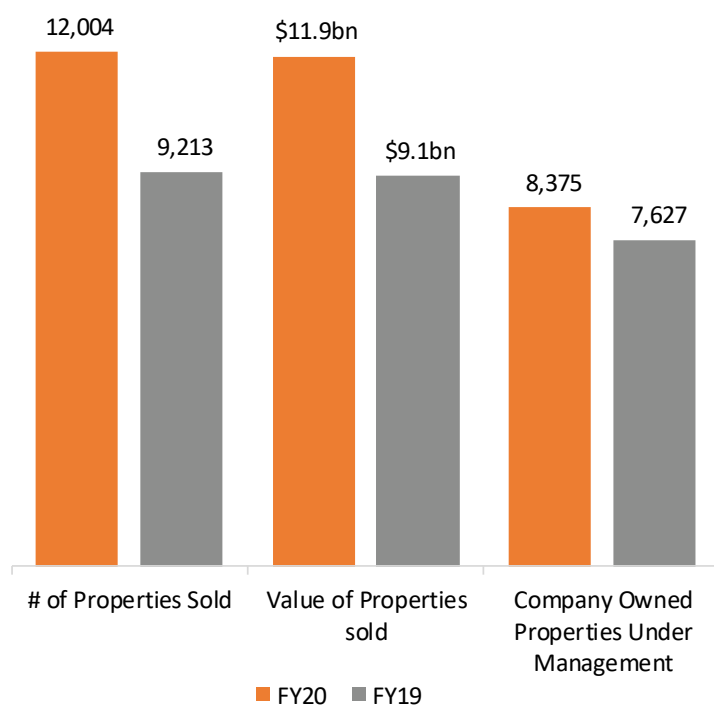


1. This is a non A-IFRS measure

STRONG PERFORMANCE IN KEY BUSINESS INDICATORS

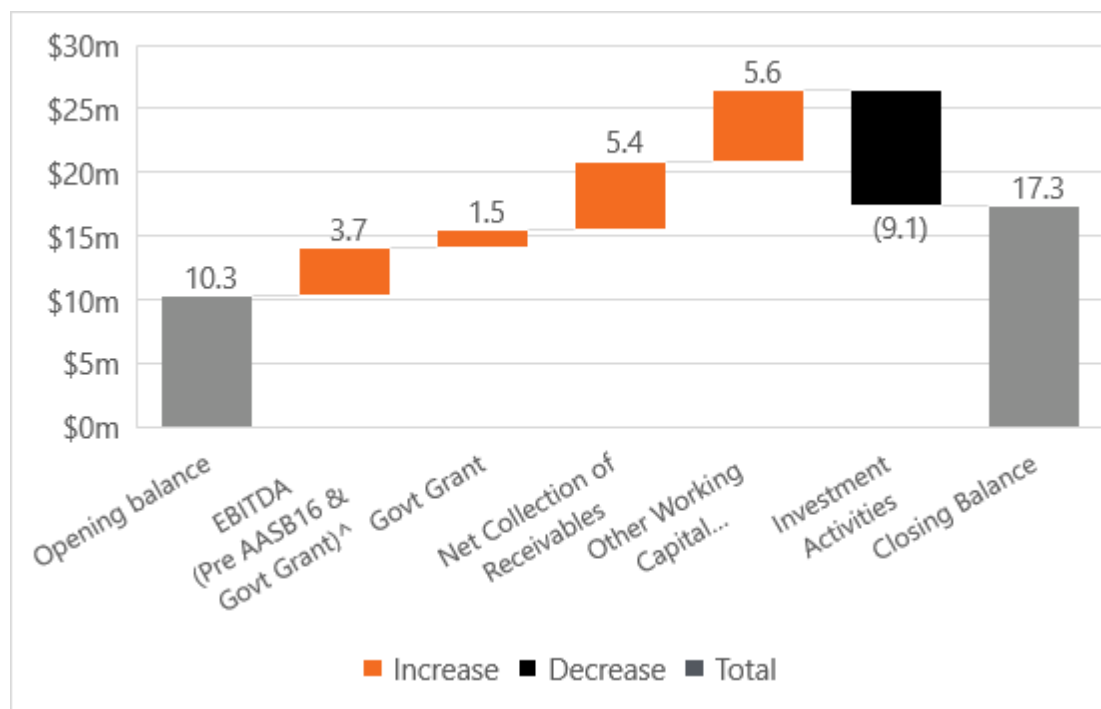
Key Indicators	FY20	FY19	% Change
# of Properties Sold	12,004	9,213	30%
Value of Properties sold	\$11.9bn	\$9.1bn	31%
Company Owned Properties Under Management	8,375	7,627	10%

- **Solid growth across key indicators**
- 30% increase in transaction volumes. Significant outperformance of weighted average of CoreLogic market transaction growth of 16.2%^
- 10% increase in Company Owned Properties Under Management – increasing annuity based income and growth of asset value



^ Estimated at a 16.2% increase based on McGrath's weighted average sales by region of the annual Sales Volume change in settled sales from CoreLogic as at 30 June 2020 - Sydney +24%, Regional NSW +7%, Melbourne +12%, Regional Victoria +5%, Brisbane +9%, Regional Queensland +10% and Canberra +23%.

\$17.3M CASH BALANCE DRIVEN BY STRONG OPERATING CASHFLOWS



Operating cashflow driven by :

- Improved Trading Result
- Significant reduction in receivables
- Other Working Capital Movement including agreements on improved trading terms.

New Cash flow from Operations has funded \$9.1m of investment activities:

- \$5.1m - Millers Point, Castle Cove, Northbridge (NSW), Wilston (Qld) acquisitions completed in FY20.
- \$1.8m of Office Fitout/refurbishment relating to Pyrmont, Double Bay, Hunters Hill and Mosman premises
- \$1.4m relating to IT development to improve agent experience

^ This is a non A-IFRS measure.

SUCCESSFULLY DEALING WITH COVID-19

• People

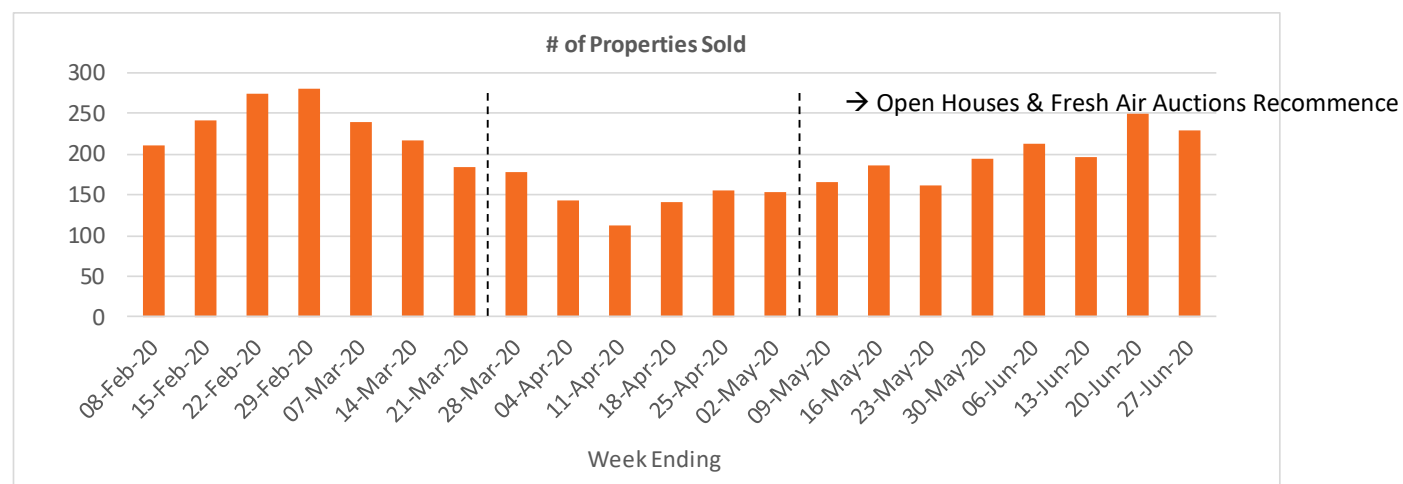
- Health & safety of employees, agents, contractors and the wider community was and remains paramount priority.
- Temporary closure of select Company Offices closed with agents working effectively from neighbouring offices/remotely.
- Temporary Reduction of staff salaries & director fees for months of May, June & July.
- Transitioned to remote working

• Innovation

- Digital viewing/inspections
- Digital auctions
- Sign on glass contracts

• Operational Update to 30 June

- Government Grants of \$2.2m as a result of COVID stimulus packages
- Receipt of JobKeeper & robust financial performance allowed for FY20 provision for repayment of announced salary cuts
- Impact on sales transactions due to 6 week pause period where Open Houses and Fresh Air auctions were unable to be performed. Sales have rebounded as these restrictions have been reduced.



McGrath

IMPROVED DIGITAL OFFERING GENERATING INCREASED ENGAGEMENT AND OPPORTUNITY

- Our new Digital Experience Platform - mcgrath.com.au - has resulted in over 500 vendor and landlord leads & over 11,000 buyer enquires since its launch in January
- Refreshed digital marketing approach and content has seen Increased reach and engagement with current and potential clients
- Online Auctions, Virtual Appraisals and Inspections continue to provide business continuation options during COVID-19



McGrath

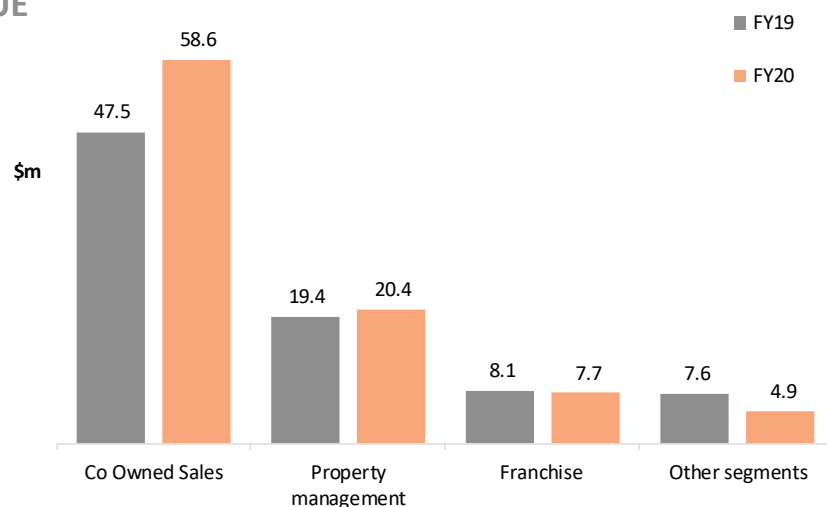
SEGMENT PERFORMANCE



McGrath

COMPANY OWNED SALES DRIVING \$8.2M OF TURNAROUND

REVENUE



Underlying EBITDA

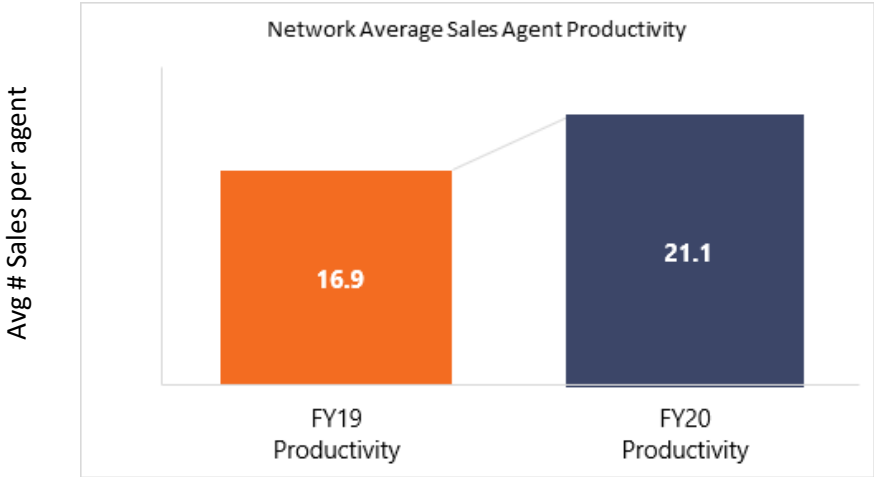
Pre AASB16 & Govt Grant¹



1. This is a non A-IFRS measure.

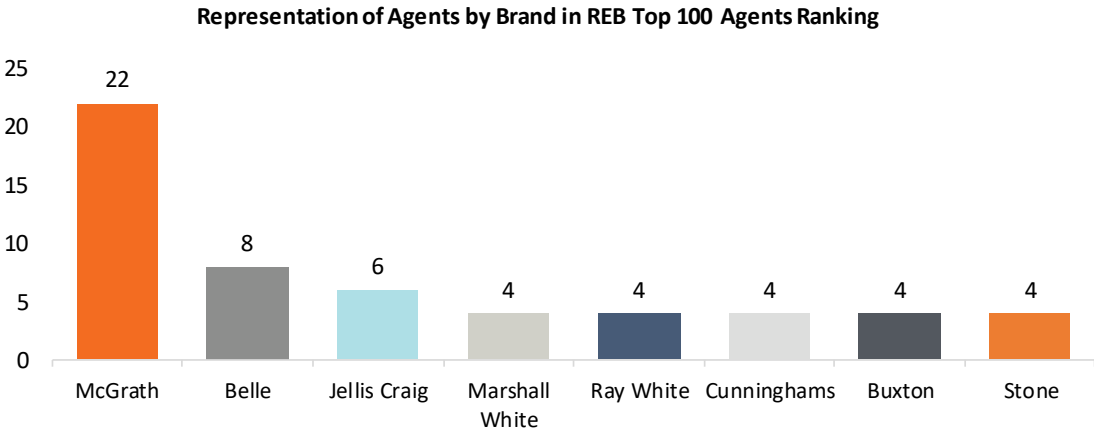
- **Company Owned Sales – significant turnaround**
 - Improved EBITDA contribution due to increase sales volume.
 - Cost initiatives and office optimization resulting in operating expense savings.
- **Company Owned Property Management**
 - Increase in properties under management (PUM) growing organically and from acquisitions assisting management fees and other income.
 - Continued focus on customer centric approach contributing to the underlying performance of the segment.
- **Franchise**
 - Reduction in revenue due to impact of COVID on segment
 - Improved operating margins
- **Other segments**
 - Despite cancellation of AREC, Improvement in sales key indicators had a flow on impact to other segments
 - Cost Savings achieved in IT platforms

INCREASE IN AGENT PRODUCTIVITY. SALES PER AGENT UP 30%



Continued focus on

- Agent and customer experience
- Talent identification and recruitment
- Strong commitment to training and development of junior agents within high performing teams

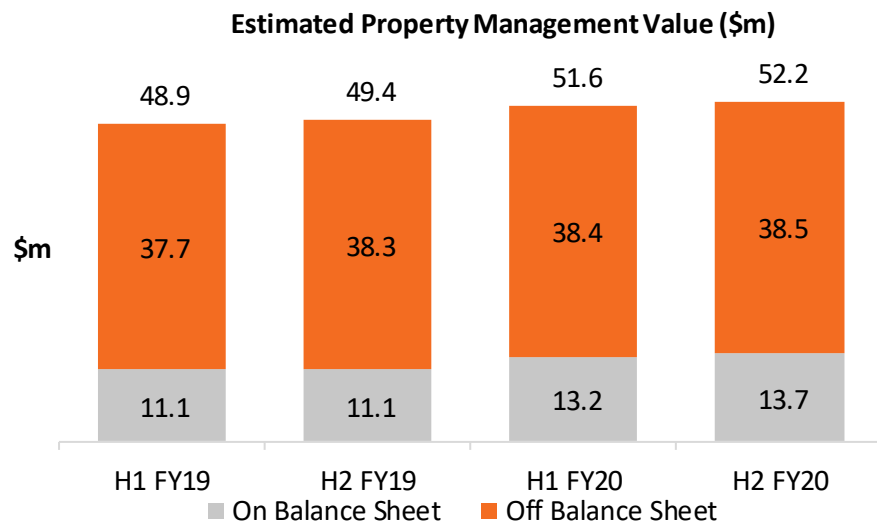
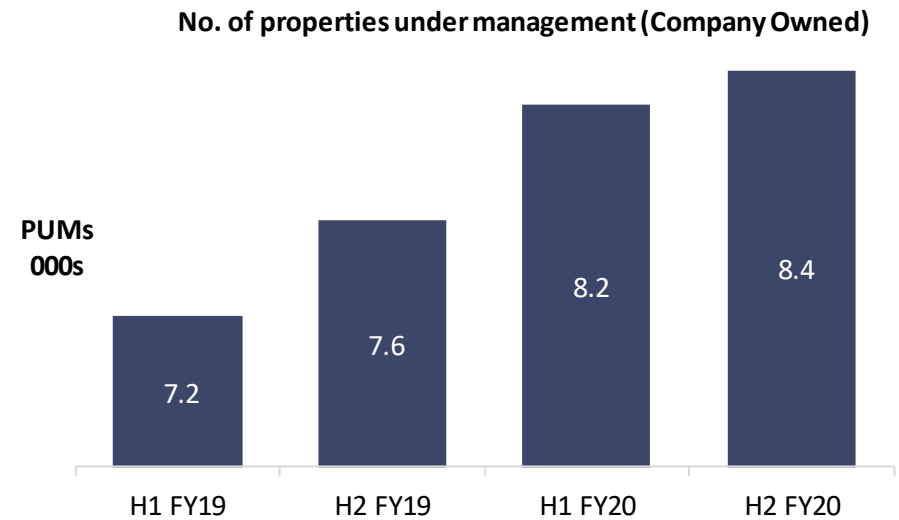
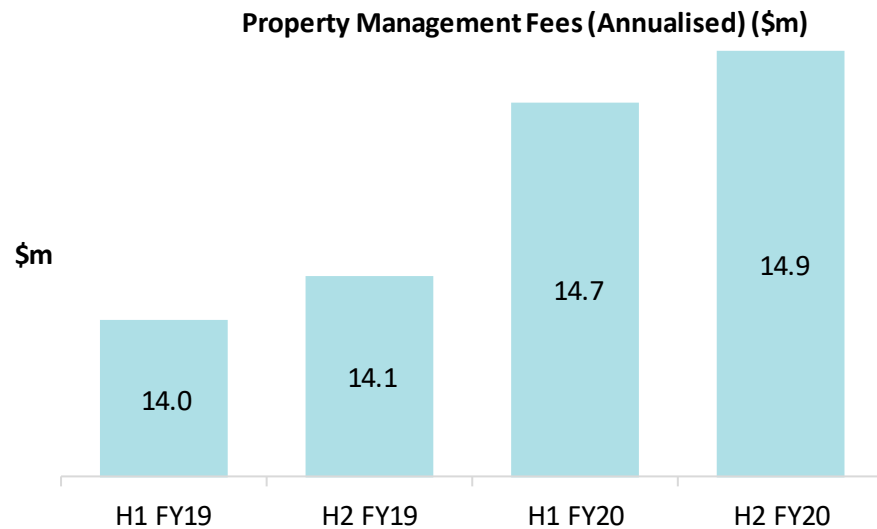


22 McGrath agents were announced in the REB Top 100 Agents Ranking 2020, almost 3 times as many agents as any other brand

McGrath

INCREASE IN PROPERTIES UNDER MANAGEMENT YIELD AN INCREASE IN INTANGIBLE VALUATIONS. ESTIMATED ASSET VALUE OF \$52.2M

14 of 31



- Management's estimate of the Property Management rent roll value is \$52.2m based on a 3.5x multiple of 2H FY20 Management Fees. Only \$13.7m of this value is held on the Balance Sheet

MARKET INSIGHTS

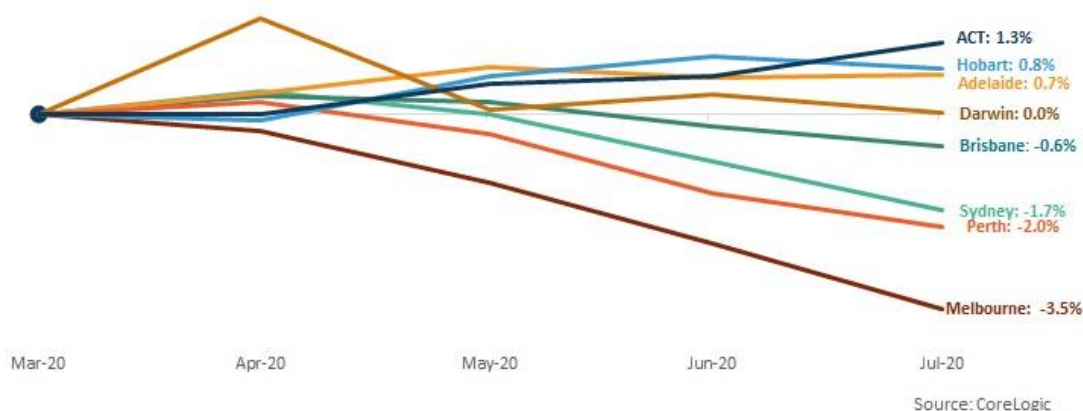


RESIDENTIAL REAL ESTATE UNDERPINS AUSTRALIA'S WEALTH

16 of 31

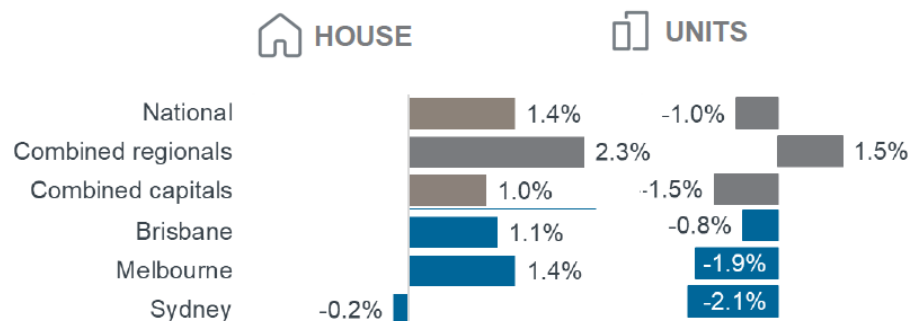


Cumulative dwelling market value change from 31st March to 31st of July



- Since the onset of COVID, prices have remained relatively resilient.
- For the period 31 March to 31 July, ACT is a clear outperformer while Melbourne has been the worst impacted.

12 month change in rental rates

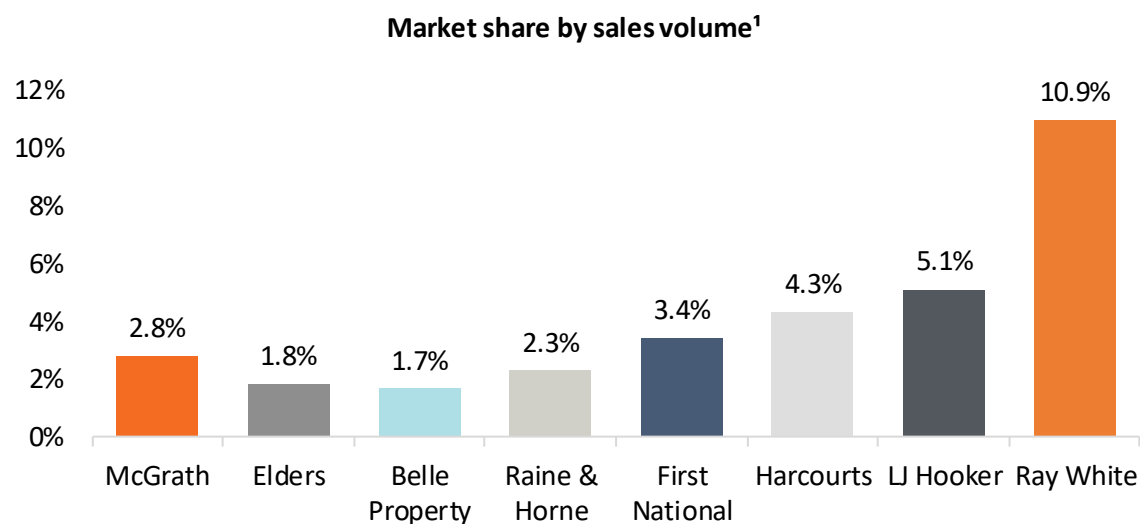


- COVID-19 Impact on Rental market as unemployment and closed international borders has adversely impacted demand.
- Reduction in rental rates has occurred in Units with the house market being insulated so far.
- **To date, minimal impact on McGrath management fee income.**

Source : CoreLogic

McGrath

INCREASING MARKET SHARE ACROSS ALL STATES



Market share by sales volume¹

Addressable Markets	12 mths to Jun20	12 mths to Jun19 ²
NSW	5.9%	5.8%
QLD	2.2%	2.1%
ACT	9.0%	8.2%
VIC	1.4%	1.4%
National	2.8%	2.6%

- Key player in National market notwithstanding not represented in Western Australian, South Australia, Tasmania & Northern Territory markets

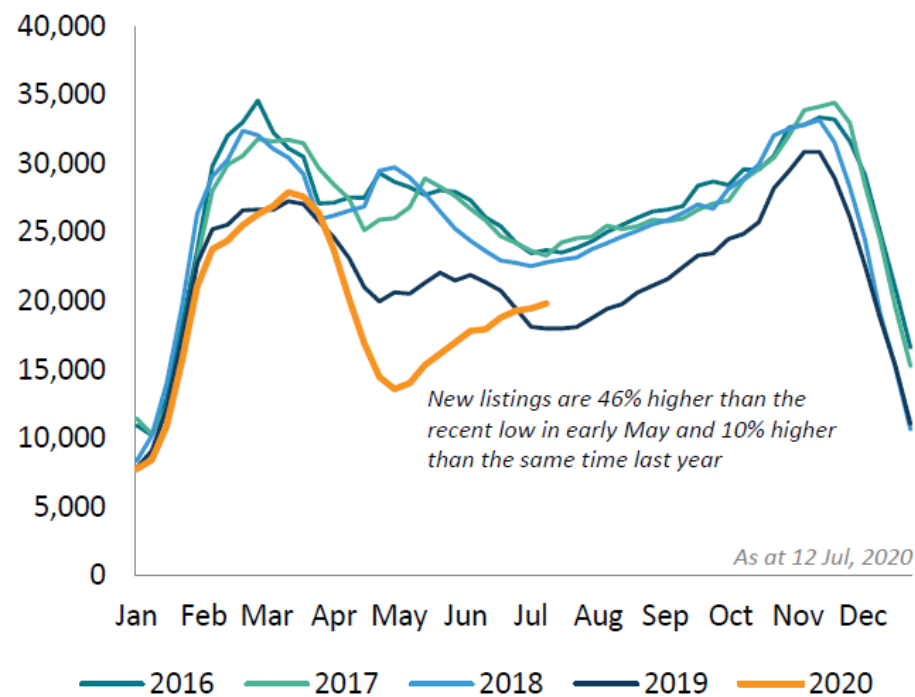
1. Estimates By CoreLogic based on published sales data where an agent was recorded in the 12 months to 30 June 2020 (Houses and Units Segments). 2. Prior period comparative CoreLogic data, for 12 months to 30 June 2019 re-run. NB CoreLogic underestimates individual market share for all groups due to a number of property sales not being allocated to a brand.

McGrath

LISTINGS REMAINS STRONG FOR REAL ESTATE DESPITE INITIAL COVID IMPACT

18 of 31

Number of new listings, Combined capital cities
Dwellings



- Recovering off the initial COVID impact, New National Listings remain stronger than the same time last year.
- McGrath listings in June were up 80% compared to June 2019

PRIORITIES & STRATEGIES



McGrath

DELIVERED ON FY20 OBJECTIVES

• Establishment of a new Head office in Sydney's technology hub in Pyrmont	✓ Successful move, with facilities being used for training events for the industry.
• Reinvigorated IT solution to all offices by Christmas	✓ Roll Out of IT platform in 2019, followed by new Website launch in January.
• Continue to establish larger agent teams and further improvement in agent productivity across the network	✓ Increase in Agent productivity of 4.2 sales per year (50% outperformance of market volume change)
• Further roll out of new Franchise offices in select key markets	✓ New Franchised Offices in Southern NSW/Northern Victoria
• Optimising of company owned office footprint	✓ Consolidation of 4 underperforming offices
• Continued assessment of select value accretive acquisition opportunities	✓ Acquisition of 3 Sydney Offices and 1 Brisbane Office

FY21 PRIORITIES & GROWTH DRIVERS

Organic Growth

Focus on recruitment of high performing, experienced agents
Increased Property Under Management portfolio.

M&A

Lead industry consolidation via value accretive acquisitions

Improve Agent Efficiencies

Improvement of agent processes to enhance agent experience

Digital Innovation
(Prop/FinTech)

Initial development of DataLake platform to improve the customer and agent experience
Continued improvement of online offering

Continued focus on
Operational Efficiencies

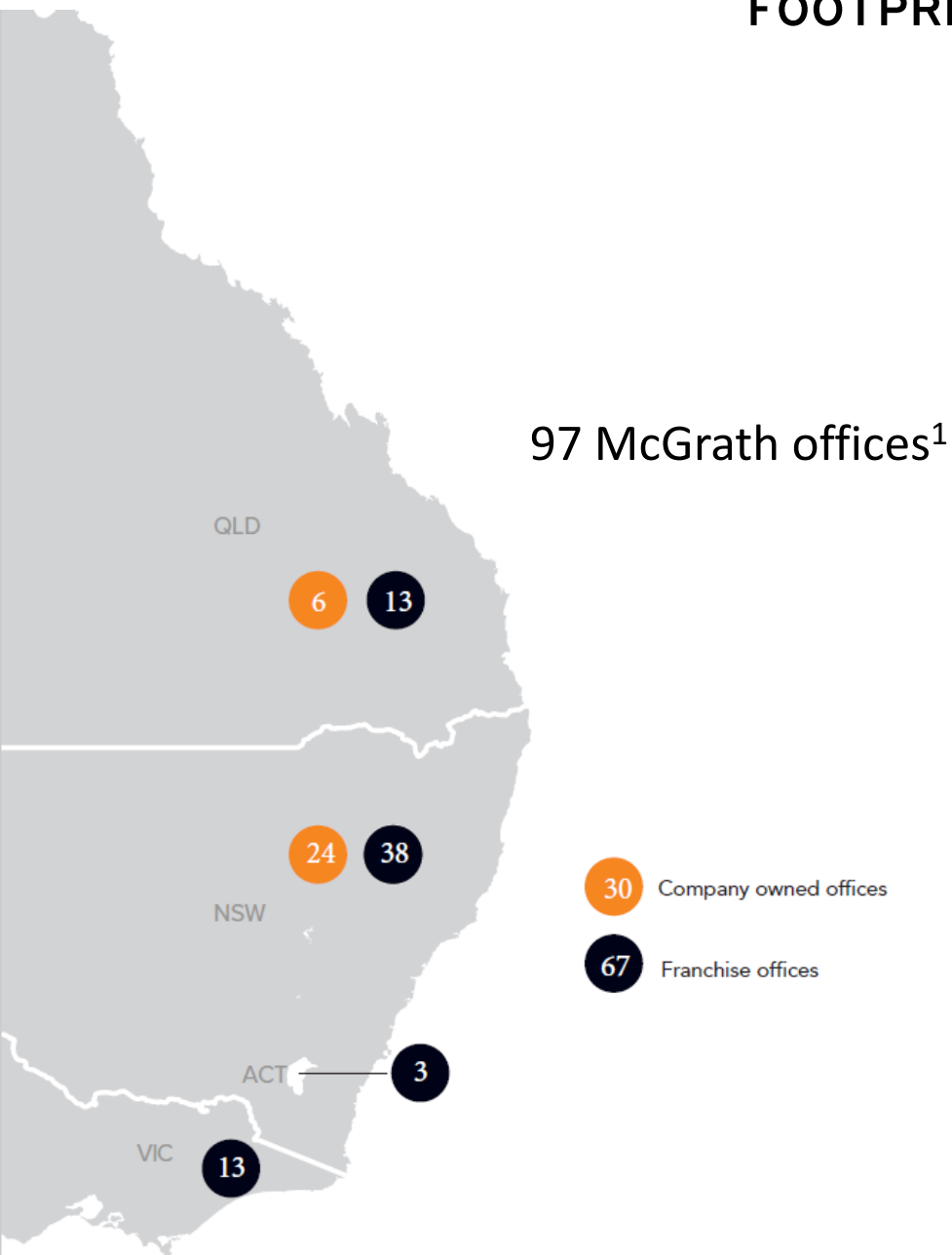
Continued cost focus & improvement in operating efficiencies

McGrath

APPENDIX



FOOTPRINT IN CORE MARKETS



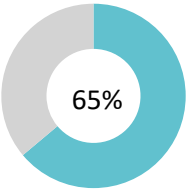
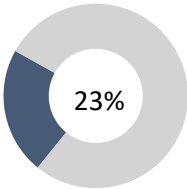
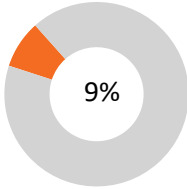
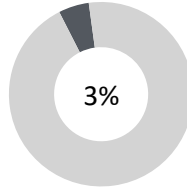
1. As at 30 June 2020

Office movements since June 2019:

- COMPANY OWNED
 - + Millers Point | CBD (Jul-19)
 - + Castle Cove (Oct-19)
 - + Northbridge (Dec-19)
 - + Wilston (Mar-20)
 - Neutral Bay (Sep-19)
 - Pymble (Nov-19)
 - Mona Vale (Jan-20)
 - Concord (Jan-20)
- FRANCHISE
 - + Ulladulla (Dec-19)
 - + Mollymook (Dec-19)
 - + Albury | Wodonga (Dec-19)
 - + Mansfield (Jun-19)
 - Dee Why (Oct-19)
 - Camden (Mar-20)
 - Picton (Mar-20)
 - Wilston (Mar-20)

McGrath

BUSINESS OVERVIEW BY SEGMENT

	Company Owned		Franchise Services	Other ³
	Sales	Property Management		
FY20 Revenue / Underlying EBITDA Contribution	 <p>65%</p> <p>\$6.2m EBITDA¹</p>	 <p>23%</p> <p>\$6.2m EBITDA¹</p>	 <p>9%</p> <p>\$3.5m of EBITDA¹</p>	 <p>3%</p> <p>(\$1.3m) of EBITDA¹</p>
Overview	<ul style="list-style-type: none"> Generates revenue by charging the vendors of residential property a commission for successfully selling a property 30 offices 158 lead agents 3,158 property sales \$4.7 billion value of property sales 	<ul style="list-style-type: none"> Generates annuity style revenue through management and leasing fees 51 property managers 8,375 properties under management (leased) Churn rate of 19%² 	<ul style="list-style-type: none"> Generates revenue from franchise fees on commission earned from successfully sold property and property management income 67 offices 327 agents 8,846 property sales \$7.2 billion value of property sales 24,111 properties under management 	<ul style="list-style-type: none"> Mortgage broking generates up front commissions and trailing revenue from each loan 28 brokers settled 1.182 mortgages for a value of \$678 million \$3.23 billion of loans under management TRET organises and operates a number of industry leading residential real estate conferences in Australia 51 exclusive auctioneers with 4,841 auctions booked (FY19: 4,835)

Note: Pie chart represents revenue contribution of segment. Data for 6 months ending 31 December 2019 unless otherwise stated.

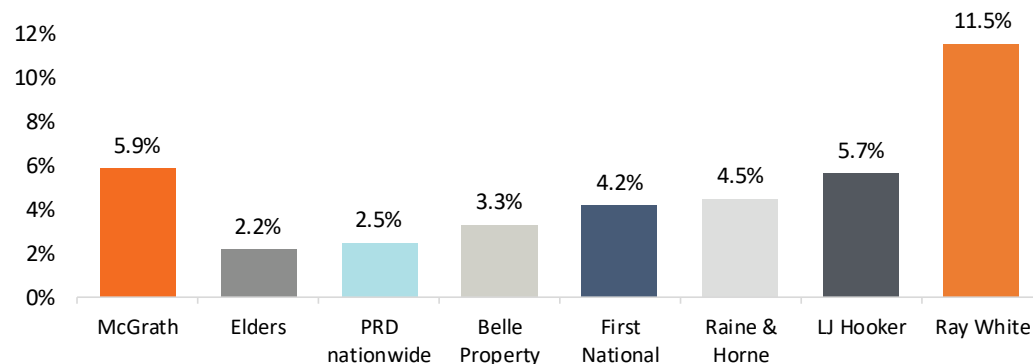
1. Pre AASB16, a Non A-IFRS measure. Excludes shared services costs.

2. Churn rate is defined as the total number of properties lost as a percentage of total properties under management as at beginning of Financial Year.

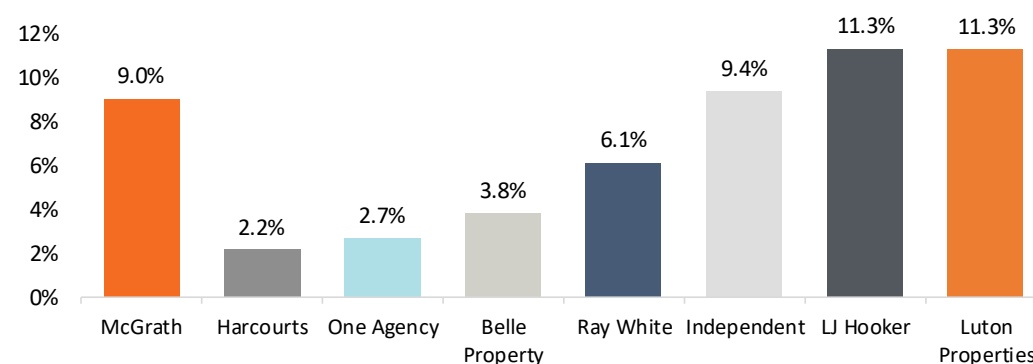
3. Incorporates the mortgage broking, auctioneering and training businesses.

MARKET SHARE IN QUEENSLAND AND VICTORIA UNDERPINS OPPORTUNITY FOR FUTURE TRANSACTION VOLUME GROWTH

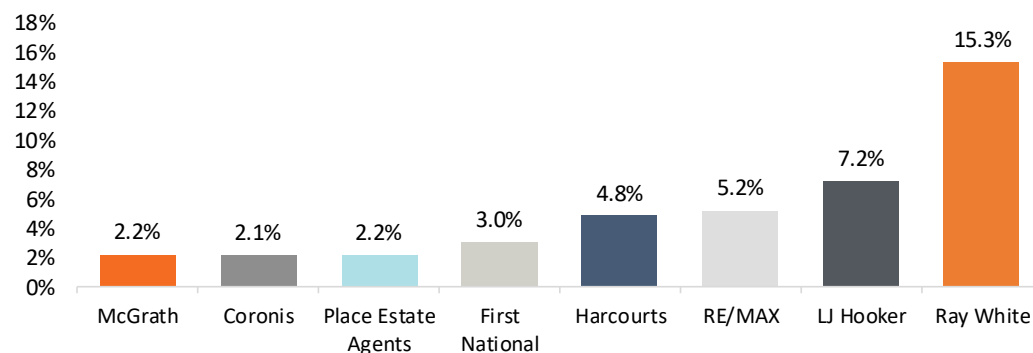
NSW FY20 Market share by sales volume¹



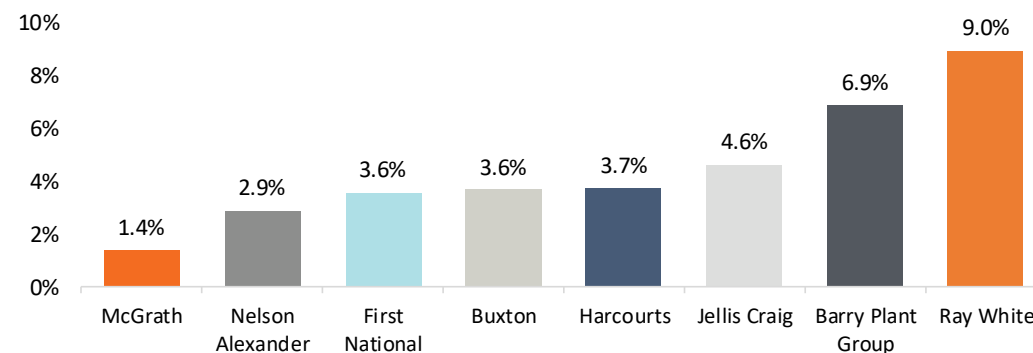
ACT FY20 Market share by sales volume¹



QLD FY20 Market share by sales volume¹



Victoria FY20 Market share by sales volume¹



1. Estimates By CoreLogic based on published sales data where an agent was recorded in the 12 months to 30 June 2020 (Houses and Units Segments).

PROFIT AND LOSS

\$m	FY20	FY19	% Change	FY20 (Pre AASB16 and Govt Grants) ¹	FY19 (Pre AASB16 and One Off Items) ¹	% Change
Revenue	93.8	82.7	13%	91.6	82.7	11%
Other Income	2.1	0.0	n/a	0.0	0.0	n/a
Cost of sales	(37.8)	(34.5)	10%	(37.8)	(34.5)	10%
Gross Profit	58.1	48.2	21%	53.8	48.2	12%
Employee benefits expenses	(28.4)	(30.2)	(6%)	(28.4)	(30.2)	(6%)
Other expenses	(15.7)	(28.1)	(44%)	(21.7)	(24.4)	(11%)
EBITDA	11.8	(10.1)	n.m	3.7	(6.4)	158%
Depreciation and Amortisation	(8.3)	(4.5)	(83%)	(3.8)	(4.5)	17%
Impairments	-	(3.4)	n/a	-	-	n/a
EBIT	0.7	(18.0)	n.m	(0.3)	(11.0)	98%
Net finance (expense)/income	(1.8)	0.2	n.m	0.1	0.2	(74%)
Net Profit/(loss) before tax	1.8	17.8	n.m	(0.2)	(10.8)	98%
Income tax (expense)/benefit	(1.1)	2.2	(148%)	(0.5)	1.1	(151%)
Net Profit/(loss) after tax	0.7	(15.6)	n.m	(0.6)	(9.7)	94%

1. Underlying results adjusted for the impact of new AASB16 leasing standard and JobKeeper benefit. FY19 excludes impact of one off items recorded. A non A-IFRS measure
n.m = not meaningful

SEGMENT PERFORMANCE

	Statutory			Underlying ¹		
	FY20	FY19	% Change	FY20 (Pre AASB16 and Govt Grants) ¹	FY19 (Pre AASB16 and One Off Items) ¹	% Change
Revenue						
Co Owned Sales	58.6	47.5	23%	58.6	47.5	23%
Property management	20.4	19.4	5%	20.4	19.4	5%
Franchise	7.7	8.1	(5%)	7.7	8.1	(5%)
Other	4.9	7.6	(36%)	4.9	7.6	(36%)
Total Revenue	91.6	82.7	11%	91.6	82.7	11%
EBITDA						
Co Owned Sales	10.9	(2.7)	n.m	6.2	(2.0)	411%
Property management	7.5	5.4	39%	6.2	5.4	15%
Franchise	3.6	3.3	9%	3.5	3.3	5%
Other	(0.0)	(5.4)	100%	(1.3)	(2.4)	45%
Corporate	(10.2)	(10.7)	5%	(10.8)	(10.7)	(2%)
Total EBITDA	11.8	(10.1)	n.m	3.7	(6.4)	158%

1. Underlying results adjusted for the impact of new AASB16 leasing standard and JobKeeper benefit. FY19 excludes impact of one off items recorded. A non A-IFRS measure
n.m = not meaningful

CASHFLOW

\$m	FY20 (Statutory) (Post AASB16)	FY20 (Pre AASB16¹)	FY19 (Pre AASB16)
EBITDA	11.8	3.7	(10.1)
Change in net working capital	9.8	10.7	1.5
Non cash EBITDA items	0.3	1.6	6.1
Net interest (paid) / received	(1.8)	0.1	0.2
Income tax received / (paid)	-	-	1.3
Net cash flow from operating activities	20.1	16.2	(1.0)
Proceeds from disposal of property, plant and equipment	-	-	0.0
Purchase of property, plant and equipment	(3.0)	(3.0)	(1.4)
Purchase of Intangible Assets	(6.1)	(6.1)	(3.1)
Net cash flow from investing activities	(9.1)	(9.1)	(4.5)
Proceeds from issue of share capital	-	-	4.9
Payment for lease liabilities	(4.0)	-	-
Net cash flow from financing activities	(4.0)	0.0	4.9
Opening Balance	10.3	10.3	10.9
Net cash flow	7.0	7.0	(0.6)
Closing Balance	17.3	17.3	10.3

¹ This is a non A-IFRS measure.

BALANCE SHEET

\$m	June 2020 (Statutory) (Post AASB16)	June 2020 (Pre AASB16) ¹	June 2019 (Pre AASB 16)	% Change (Pre AASB16)
Cash at Bank	17.3	17.3	10.3	68%
Other current assets	18.5	18.9	22.0	(14%)
Total non-current assets	44.0	21.2	17.3	22%
Total assets	79.8	57.3	49.6	16%
Total current liabilities	26.2	23.4	15.7	49%
Total non-current liabilities	23.4	2.7	3.0	(10%)
Total liabilities	49.6	26.1	18.7	39%
Net assets	30.2	31.2	30.8	1%
Assets not on Balance Sheet ²	41.1	41.1	40.9	0%
Adjusted Net Assets¹	71.3	72.3	71.7	1%
Adjusted Net Assets (cents per share)¹	42.7	43.3	42.7	1%

1. This is a non A-IFRS measure

2. Management Valuation calculated on blended valuation multiple of 3.5x on 2H FY20 Annualised Property management fees (\$52.9m) and 2.5x on 2H FY20 Annualised Oxygen trail income.

McGRATH CONTACTS ASSOCIATED WITH THIS PRESENTATION

Peter Lewis

Chair

Howard Herman

Chief Financial Officer

Terri Sissian

Communications Director

Investor Centre Contact Details:

Phone

+61 2 9386 3333

Email

InvestorCentre@mcgrath.com.au

McGrath

DISCLAIMER

This presentation has been prepared by McGrath Limited (Company) together with its related bodies corporate (McGrath Group). The material contained in this presentation is intended to be general background information on the McGrath Group and its activities.

The information is supplied in summary form and is therefore not necessarily complete. It should be read in conjunction with the Company's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange and in particular the Company's latest full year results for the year ended 30 June 2019. It is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs. The material contained in this presentation may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

All amounts are in Australian dollars unless otherwise indicated.

Unless otherwise noted, financial information in this presentation is based on A-IFRS. McGrath Group uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards or IFRS. These measures are collectively referred to in this presentation as 'non-IFRS financial measures' under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC. Managements use these non-IFRS financial measures to evaluate the performance and profitability of the overall business and the Company believes that they are useful for investors to understand the Company's financial condition and results of operations. Unless otherwise specified those non-IFRS financial measures have not been subject to audit or review in accordance with Australian Accounting Standards.

Forward-looking statements are statements about matters that are not historical facts. Forward looking statements appear in a number of places in this presentation and include statements regarding the McGrath Group's intent, belief or current expectations with respect to business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions, financial support to certain borrowers, indicative drivers, forecasted economic indicators and performance metric outcomes.

This presentation contains words such as 'will', 'may', 'expect', 'indicative', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'probability', 'risk', 'forecast', 'likely', 'estimate', 'anticipate', 'believe', or similar words to identify forward-looking statements. These forward-looking statements reflect the McGrath Group's current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond the control of McGrath Group, and have been made based upon the McGrath Group's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with the McGrath Group's expectations or that the effect of future developments on the McGrath Group will be as anticipated. Actual results could differ materially from those which the McGrath Group expects, depending on the outcome of various factors. Factors that may impact on the forward-looking statements made include, but are not limited to, general economic conditions in Australia, competition in markets in which the McGrath Group will operate and the inherent regulatory risks in the business of the McGrath Group.

When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. The McGrath Group is under an obligation to update any forward looking statements contained in this presentation, where as a result of new information, future events or otherwise, after the date of this presentation.