

26 November 2020

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

### BY ELECTRONIC LODGEMENT

### 2020 Annual General Meeting

Please find attached for release to the market, the Chair's Address, CEO's Presentation and Slide Deck, to be presented this morning to McGrath's Annual General Meeting to be held Online at 11:00am (AEDT).

-ENDS-

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

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

### Annual General Meeting - Chair's Address and CEO's Presentation

#### SLIDE 4: CHAIR'S ADDRESS

2020 has been a year of great change and the fact that we are meeting virtually today is a testament to that change. The FY20 financial year was a year which saw a dip and then recovery of the Australian residential real estate market, all within the context of the Coronavirus pandemic.

Our foremost responsibility through the pandemic continues to be ensuring the safety and wellbeing of all our stakeholders, including our team members and clients. I'm pleased to advise that to date we have been successful in dealing with the challenges of COVID to our business, and Eddie will speak more about this in his address.

The commitment and leadership of our executive team and all 2,000 of our team members have been key to the delivery of the improved financial results achieved in FY20. Our people have worked extremely hard, in challenging circumstances, to continue delivering exceptional service to all our customers and stakeholders. On behalf of the Board, I would like to thank all our people, for their dedication to our business.

In August we announced the departure of Geoff Lucas from the CEO role and we thank him sincerely for his work in helping the company turn around its operating position. These have been some very challenging years and Geoff has been instrumental in bringing the company to its current position. We wish him well in the future.

With Geoff's departure the Board was fortunate to be able to appoint Eddie Law who joined us after a long and distinguished career in property financing, having held positions across the industry including 14 years with the ANZ Bank.

Eddie brings to the company new energy and strategic thinking and we are very pleased with his quick progress in both understanding our specific business and working to consolidate our growth, while dealing with the continuing impact of COVID.

Your Directors are also striving to improve the diversity in the composition of the organisation and board. As part of that objective, we will be undertaking a board renewal program which is expected to run for at least the next two years, with one existing director stepping down at each of the next two AGM's following this meeting, providing the opportunity to broaden our diversity with the replacement appointments.

Your Company is currently in a strong financial position. This strength is evidenced by our trading update released to the market this morning, which Eddie will detail in his address. With this in mind, we are pleased to announce that it is our intention to re-commence dividend payments in 2021 should the strength in local and global market conditions continue. The Board is hoping to be able to announce a dividend concurrent with the release of our first half results in February 2021. This is another small step in the stabilisation process for McGrath, should current conditions prevail.

Although the current financial year will involve continued challenges and economic uncertainty, your Company is in a strong position to deal with market volatility. We are uniquely placed to consolidate our market leading position and remain dedicated to ensuring that rewarding times are ahead for all our stakeholders.

I will now ask Eddie Law, our CEO, to commence his address.

#### SLIDE 5: CEO'S PRESENTATION

Good morning ladies and gentlemen and thank you Peter for your introduction. My brief presentation this morning will have four parts:

##### **Successfully dealing with COVID**

##### **A brief recap of the 2020 financial year;**

##### **Trading update released this morning; and**

##### **Our Business Priorities Going Forward**

Before I start, I would like to thank our shareholders for your support of our board and the management team. This is my first AGM as CEO and it's a role and a responsibility I don't take lightly being a challenge that I'm embracing with enormous energy, enthusiasm and pride.

### SLIDE 6: SUCCESSFULLY DEALING WITH COVID

Moving to the first part of my presentation, as Peter mentioned, COVID has impacted all of us in some way, however we have been fortunate as the real estate sector appears to date to have been more resilient than many other business segments.

At the onset of the pandemic in mid – March, the business implemented a plan to ensure a safe workplace and the health of all our stakeholders in compliance with the Work Health and Safety laws. Equally, our teams worked quickly to transition our business to live-streaming auctions and digital property inspections. As a result, transactions were able to continue even in the peak of the pandemic. As these restrictions have now eased in most parts of the country, we continue to conduct our business with the safety of all our stakeholders being of paramount importance. Whilst COVID continues to impact market listing volume, generally home values in our main operating markets have remained quite resilient when measured on a year on year growth metric.

In our Property Management business, we have evidenced a marginal increase in vacancy rates in both Sydney and Melbourne CBD regions. This lower demand is due to the overall weaker labour market as a result of COVID 19 and the significant reduction in international travel, tourism and overall migration to and within Australia. However at this stage we have not seen a material impact on this segment's revenue, primarily as a result of a majority of our Company Owned managed properties are not in the aforementioned areas.

Our Victorian neighbours have had to enforce more severe restrictions over the last number of months. In the couple of weeks since restrictions have relaxed, listing volumes have strongly rebounded and weekend auction clearance rates have been high. Notwithstanding, from a business perspective, the Phase 2 lockdown did not have a material impact on Group revenues, with Victoria making up approximately 1.5 per cent of our total revenue.

### SLIDE 7: RECAP OF FY20 RESULTS

And now a brief Recap of the FY20 results.

Despite the impact of COVID, continued improvement in the 2<sup>nd</sup> half resulted in an underlying EBITDA of \$3.7 million for the 2020 financial year. This is a \$10.1 million turnaround from FY19 and most importantly, a return to net profitability.

We are pleased with this credible result given the unprecedented initial impact of COVID19 on the suspension of open houses across all states.

We ended 30 June with a strong balance sheet with zero debt and a \$17.3 million cash balance, an increase of \$7 million from 30 June 2019.

### SLIDE 8: TRADING UPDATE

Moving on to our trading update.

The past 4 months have resulted in a relatively strong residential real estate market, as it appears consumers are re-assessing their home needs and aspirations in a Post-COVID world. Both transaction volumes and Average Selling Prices across our network have exceeded the prior year in each of the first 4 months of FY21.

Based on our performance to date and projections for the balance of the first half, we expect the first half FY21 underlying EBITDA (Pre the adoption of the AASB16 leasing standard and Government Incentives) to be in the range of \$6 million to \$6.5 million, which is a midpoint increase of \$4.7 million over the first half of the prior year.

The Company's balance sheet continues to reflect relative strength, with a \$22.1 million cash balance as at 31 October 2020 and zero level of corporate debt.

Looking forward, there remains much discussion regarding the impact of house prices in the media and there is now an improved general outlook on price movement from six months ago, however sale transaction volumes remain a key driver of McGrath's financial results. With the scheduled end of the JobKeeper and deferred mortgage programs still yet to be determined, along with other macro factors impacting consumer confidence, there is still material uncertainty as to whether the momentum evidenced in the first half of FY21 will be maintained in the second half results.

### SLIDE 9: 2021 BUSINESS PRIORITIES

Moving to our business priorities for the 2021 year and beyond, I see 5 primary areas of focus for our business to deliver shareholder growth.

1. We will continue to grow our business organically through the attraction and retention of high performing Company Owned agents to existing and possibly new Company owned offices. Additionally, where suitable, we will expand into new geographical markets through Franchise representation.
2. We will continue to improve the efficiencies in our business with the objective of streamlining end to end processes and reporting frameworks, in order to improve the overall business productivity, profitability and strategic decision-making timelines.
3. We will ensure that service level experience delivered to our clients is both enjoyable and seamless. This will only be achieved by ensuring that Agents have access to market leading technology and tools.
4. We will continue to grow complementary and adjacency lines of business, to both enhance and reduce the relative reliance on the core sales revenue component of group earnings.
5. We will also act upon value accretive opportunities as they present themselves. I see value in continuing to grow in leading the industry consolidation by growing the business inorganically through acquisitions and partnerships.

In closing, McGrath is an iconic market leading brand which I have immense respect for, and I'm looking forward to working with all our very talented people to ensure rewarding times ahead for all shareholders and other stakeholders.

On that note I will hand you back to Peter.

Thank you.



# McGrath

**McGrath Limited 2020**

# Annual General Meeting

Thursday, 26 November 2020 - 11.00am







Peter Lewis **Chair**



Wayne Mo **Director**



Andrew Robinson **Director**



Shane Smollen **Director**



John McGrath **Founder & Director**



Eddie Law **CEO**



# Agenda



## **CHAIR ADDRESS**

Mr. Peter Lewis



## **CEO ADDRESS**

Mr. Eddie Law



## **FORMAL BUSINESS**

3 Resolutions

# McGrath

## Chair Address





# CEO Address



**SUCCESSFULLY DEALING WITH  
COVID-19**



**A BRIEF RECAP OF THE 2020  
FINANCIAL YEAR**



**TRADING UPDATE**



**BUSINESS PRIORITIES GOING  
FORWARD**

# Successfully Dealing with COVID-19

PEOPLE	<p><b>HEALTH &amp; SAFETY</b></p> <p>The health &amp; safety of all stakeholders remains our highest priority</p>	<p><b>TEMPORARY OFFICE CLOSURES</b></p> <p>Temporary closure of select offices with agents and staff working effectively from neighbouring offices or remotely</p>	<p><b>REMOTE WORKING</b></p> <p>Transition to remote working for corporate staff</p>
INNOVATION	<p><b>DIGITAL INSPECTIONS</b></p> <p>Reducing the number of physical inspections required</p>	<p><b>DIGITAL AUCTIONS</b></p> <p>Allowed the Auction process to take place despite restrictions</p>	<p><b>SIGN ON GLASS</b></p> <p>Streamlining the listing and selling process</p>
OPERATIONAL	<p><b>GOVERNMENT GRANTS</b></p> <p>\$2.2m in Q4 FY20 and \$2.3m in Q1 FY21 (excluded from underlying EBITDA)</p>	<p><b>PAUSE IN TRANSACTIONS</b></p> <p>Due to six week pause on open houses and open air auctions. Sales have rebounded as restrictions have eased.</p>	<p><b>FINANCIAL PERFORMANCE</b></p> <p>Notwithstanding COVID impacts, achieved a credible financial result</p>

# Recap of FY20 Results

## Underlying EBITDA

FY20 Underlying EBITDA\* \$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 30 June 2019

\*Excluding the impact of AASB16 Leasing Standard and Government Grants





# Trading Update



## UNDERLYING EBITDA

1st half FY21 Underlying EBITDA (Pre AASB16 leasing standard and Government incentives) to be in the range of \$6m to \$6.5m, a midpoint increase of \$4.7m over the 1st half of the prior year.



## BALANCE SHEET

As of 31 October 2020, a \$22.1m cash balance with zero debt



## 2ND HALF FY21

Unknown impact of macro factors in the second half of FY21. As a result we contend it would be imprudent to provide earnings guidance for the 2nd half of the financial year at this stage.





# Business Priorities



## **ORGANIC GROWTH & CHANNEL STRATEGY**

Continue with Company Owned offices with appropriate programs in place to attract and retain high performing agents. Expand into new markets through franchise offering.



## **BUSINESS EFFICIENCY**

Streamline end to end processes to improve productivity and profitability.



## **AGENT/CLIENT EXPERIENCE**

Enjoyable and seamless service experiences delivered to our clients. Greater access to market leading technology and tools for our agents.



## **ADJACENCIES**

Growth of complementary and adjacency lines of business, to both enhance and reduce the relative reliance on the core sales revenue component of group earnings.



## **INORGANIC GROWTH STRATEGY**

Act upon value accretive opportunities as they present themselves. Leading the industry consolidation by growing the business inorganically.

# Disclaimer

This Presentation has been prepared by McGrath Limited (Company) together with its related bodies corporate (McGrath Group) and is dated 26 November 2020. The material contained in this Presentation has been prepared in connection with the Company's 2020 Annual General Meeting and is intended to be general background information on the McGrath Group and its activities which are current as at the date of this Presentation.

The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all information which a prospective investor may require in evaluating a possible investment in the Company or that would be required in a prospectus, product disclosure statement or other disclosure document prepared in accordance with the requirements of the Corporations Act 2001 (Cth). This Presentation 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 2020, copies of which are available at <https://investor.mcgrath.com.au/Investor-Centre/>. 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.

To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this material is accepted by the McGrath Group, including any of its related bodies corporate.

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 International Financial Reporting Standards (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. Management has used 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 no 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.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19.