

McGrath Posts Strong Revenue And Profit Growth in FY21

23 August 2021 - McGrath Limited (ASX: MEA) today announced its FY21 results, at the top end of the guidance range provided on 26 April 2021.

Results highlights

- Revenue up 34% to \$122.4 million
- NPAT of \$19.0 million, a significant turnaround compared with FY20 profit of \$0.7 million
- Underlying EBITDA¹ of \$17.7 million, a \$14.0 million increase from FY20 Underlying EBITDA of \$3.7m²
- Statutory reported EBITDA of \$31.8 million, following adoption of AASB leasing standard, Government grants and gain on disposal of businesses
- Strong Balance sheet with \$35.8 million cash (FY20: \$17.3 million) and no borrowings
- Final Dividend – 1.0 cent per share fully franked dividend declared

McGrath has announced a \$18.3 million turnaround in its Net Profit After Tax (NPAT) to \$19.0 million for the 2021 financial year, compared with a profit of \$0.7 million in the previous corresponding year.

The significant improvement, highlighted by a \$14.0 million rise in underlying (Earnings Before Interest Tax Depreciation and Amortisation) EBITDA to \$17.7 million, has allowed for a payment of 1.0 cent fully franked final dividend, resulting in FY21 total dividend of 1.5c per share.

The underlying EBITDA result is at the top end of the guidance range provided at the company's trading update on 26 April 2021, and excludes the \$2.1 million worth of Government COVID-related grants, a \$2.2 million gain on the conversion of the Parramatta and Blacktown businesses to become a collective franchise and a \$3.1 million gain on the part divestment of the Oxygen home loans business.

The group posted a 34 per cent lift in revenue from \$91.6 million to \$122.4 million for FY21 and a 38% per cent rise in sales per agent for the period, despite total lower listing volumes in the market.

Mr. Eddie Law, CEO of McGrath said: "McGrath's unique business model of combining the strong annuity style income derived from Property Management and Franchise operations, alongside our Company Owned Sales offices, is delivering strong results.

"We note that positive market sentiment, price stability in McGrath's key markets and strong clearance rates contributed to our sales businesses performing significantly better in FY21. Our property management business continues to contribute solid results.

"The residential property market has proved to be very resilient during the ongoing COVID-19 pandemic, compared with other sectors. Notwithstanding the challenges during the ongoing COVID-19 pandemic and continued lockdowns, McGrath has demonstrated our ability to continue to transact successfully and efficiently in servicing our clients.

“Equally we are optimistic about the strength of the economy which we anticipate will rebound quickly once high vaccination levels allow businesses to resume operation and international borders reopen. Naturally the pandemic has highlighted a re-calibration of lifestyle choices that will continue to impact the residential market”, added Mr Law.

McGrath’s continued business improvement initiatives and growth strategies include:

- Implementation of growth strategies to improve agent productivity
- Continued traction from our data centric website and other digital solutions
- Revitalisation of the property management businesses, with a focus on improving the overall customer experience
- Projects division capability and relevance to developers enhanced with the execution of an alignment agreement with a third-party capital provider.
- Enhanced scale and optimisation of mortgage home loan business by partnering with a financial services and technology consortium.
- Industry consolidation opportunities to complement existing businesses

Strong Balance Sheet

McGrath closed off the period with no borrowings, \$35.8 million in cash and \$47.9 million in disclosed net assets. The company notes that Management’s valuation of the rent roll is estimated at \$48.9 million at balance date, of which \$36.6 million is not reflected on the balance sheet.

We are very pleased to announce a 1.0 cent final dividend payable on 21 September 2021, resulting in FY21 total dividend of 1.5 cents per share to shareholders as the business continues to grow.

Outlook

Mr Law said “We are particularly pleased with our performance across the multiple markets in which we operate and our business improvement initiatives across our business segments contributed to our overall results.

“We acknowledge there may be some COVID related volatility, however the fundamentals of the property market remain strong. Despite sporadic lockdowns throughout various states, the first eight weeks of the new financial year have seen trading in line with our expectations and our business well positioned for long-term future growth”, he concluded.

-Ends-

Authorised for release by McGrath Board of Directors

¹ Pre-adoption of new AASB 16 Leasing standard and not including Government Grants and gain on sale of business
² Statutory reported loss \$1.0m.

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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 108 offices located throughout the East Coast of Australia. For further information, please visit www.mcgrath.com.au.