

A photograph of a modern, two-story house with light-colored siding and a large, covered patio area. A swimming pool is in the foreground, reflecting the sky and the house. The patio has a glass railing and is furnished with outdoor seating. The house has large windows and doors, some of which are illuminated from within. The sky is a deep blue, suggesting dusk or dawn. The overall scene is a high-quality, professional photograph used as a background for a presentation.

# McGRATH LIMITED (ASX: MEA)

INVESTOR PRESENTATION FOR HALF YEAR RESULTS  
END 31 DECEMBER 2021



# KEY MESSAGES

## UNDERLYING REVENUE

↑ \$59.4m<sup>1</sup>

\$7.9m increase (15%)

## UNDERLYING EBITDA

↑ \$10.6m<sup>2</sup>

\$4.0m increase

Higher end of  
guidance

## UNDERLYING NET PROFIT

↑ \$6.7m

\$2.3m increase

## BALANCE SHEET

↑ \$41.3m

\$5.5m increase in cash

Zero debt

Strong balance  
sheet

## INTERIM DIVIDEND

↑ 1.0cps

1.0 cent per share  
interim dividend, fully  
franked

Payable 23 March 2022

## SPECIAL DIVIDEND

↑ 1.5cps

1.5 cent per share  
once-off special  
dividend, fully franked

Payable 23 March 2022

1. For comparative purposes, prior year underlying Revenue has been adjusted to reflect the impact of the new agent remuneration structure to better enable comparison to current period results. Under the new package, introduced on 1 July 2021 to retain and attract top agent talent, agents are entitled to receive all commissions at settlement, instead of a proportion being payable at a later date. This has resulted in a \$5.3m reduction in both prior year revenue and cost of sales.

2. Underlying results adjust for the impact of the sale of Rouse Hill office in the current year and the sale of the Parramatta office and JobKeeper benefits in the prior year, and exclusion of AASB16 leasing standard in both years



# FINANCIAL HIGHLIGHTS

01

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# UNDERLYING EBITDA UP BY 60% ON THE PRIOR YEAR



15% INCREASE  
IN UNDERLYING  
REVENUES<sup>1</sup>



\$4.0M UNDERLYING  
EBITDA GROWTH



\$2.3M INCREASE IN  
UNDERLYING NET PROFIT

	STATUTORY			UNDERLYING <sup>2</sup>		
\$M	1H FY22	1H FY21	Change	1H FY22 <sup>2</sup>	1H FY21 <sup>1,2</sup>	Change
Revenue	59.4	56.8	2.6	59.4	51.5	7.9
EBITDA	14.0	13.5	0.5	10.6	6.6	4.0
Net Profit after tax	6.9	8.1	(1.2)	6.7	4.4	2.3

1. For comparative purposes, prior year underlying Revenue has been adjusted to reflect the impact of the new agent remuneration structure to better enable comparison to current period results. Under the new package, introduced on 1 July 2021 to retain and attract top agent talent, agents are entitled to receive all commissions at settlement, instead of a proportion being payable at a later date. This has resulted in a \$5.3m reduction in both prior year revenue and cost of sales.

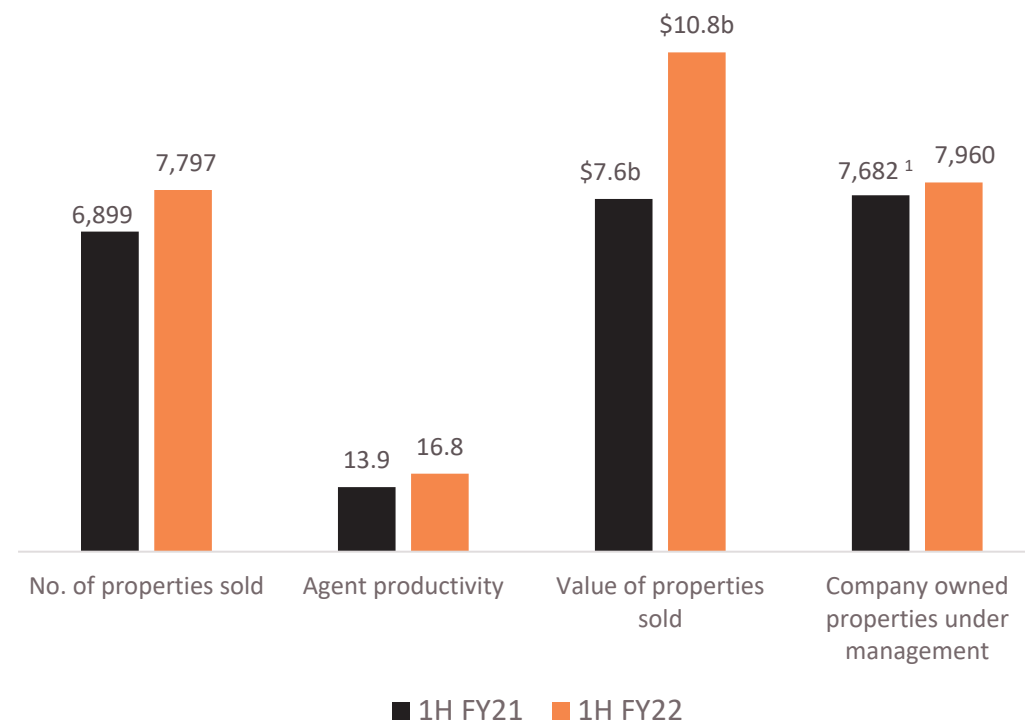
2. Underlying results adjust for the impact of the sale of Rouse Hill office in the current year and the sale of the Parramatta office and JobKeeper benefits in the prior year, and exclusion of AASB16 leasing standard in both years.

# STRONG PERFORMANCE IN KEY BUSINESS INDICATORS

KEY INDICATORS	1H FY22	1H FY21	% Change
No. of Properties Sold	7,797	6,899	13%
Agent productivity (avg. no. of sales per agent)	16.8	13.9	21%
Value of properties Sold	\$10.8bn	\$7.6bn	42%
Company owned properties under management <sup>1</sup>	7,960	7,682	4%

## SOLID GROWTH ACROSS KEY INDICATORS

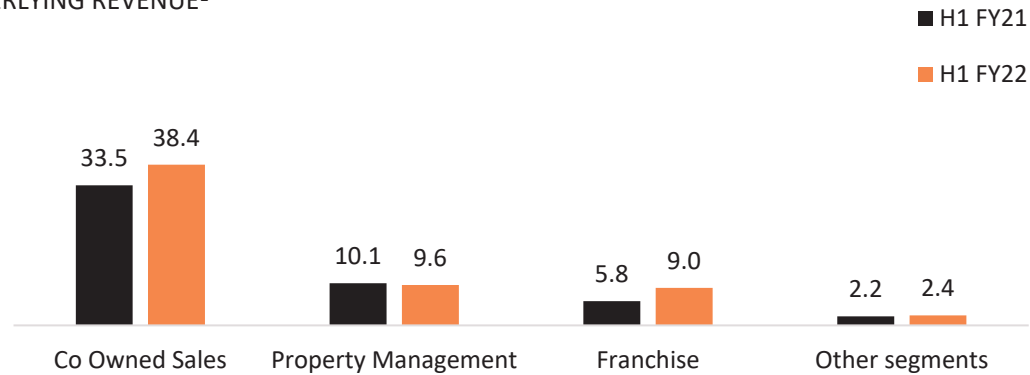
- 42% increase in the value of properties sold through improved agent productivity (+21%) and an increase in the average selling prices of +25%.
- Adjusting for impact of office disposals in the prior 12 months, a 4% increase in Company Owned Properties Under Management was achieved.



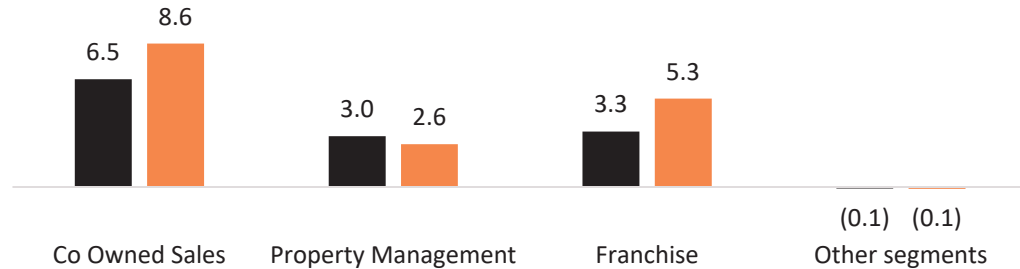
1. H1 FY21 PUM adjusted for sale of Blacktown and Rouse Hill properties under management in the conversion of these offices to McGrath Franchise.

# SALES BUSINESSES DRIVING GROWTH

## UNDERLYING REVENUE<sup>1</sup>



## UNDERLYING EBITDA<sup>2</sup> Pre AASB16 and Govt Grant



## COMPANY OWNED SALES

- Benefits of scale allowing the growth in the commission income to expand EBITDA margins.

## FRANCHISE

- Growth in revenue driven by strong growth in regional markets.

## COMPANY OWNED PROPERTY MANAGEMENT

- Growth impacted by the disposal of 408 properties under management (PUM) as part of the Blacktown and Rouse Hill conversions to Franchise.



1. For comparative purposes, prior year underlying revenue has been adjusted to reflect the impact of the new agent remuneration structure to better enable comparison to current period results. Under the new package, introduced on 1 July 2021 to retain and attract top agent talent, agents are entitled to receive all commissions at settlement, instead of a proportion being payable at a later date. This has resulted in a \$5.3m reduction in both prior year revenue and cost of sales.

2. This is a non A-IFRS measure.



A modern outdoor living space featuring a covered patio with a white ceiling and a ceiling fan. The floor is made of grey tiles with a herringbone pattern. On the left, there is a dark grey kitchen island with a white countertop and a potted plant. In the center, there is a white sofa, a black coffee table, and two white armchairs. On the right, there is a swimming pool with a glass railing. The background shows a white fence and trees.

# BALANCE SHEET & CAPITAL MANAGEMENT

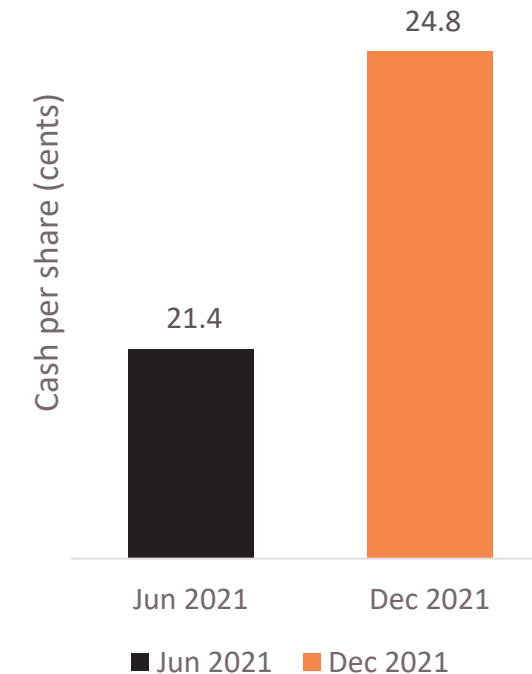
02

McGrath

# STRONG PERFORMANCE IN KEY BUSINESS INDICATORS

\$M	Dec 2021 (Statutory) (Post ASSB16)	Jun 2021 (Statutory) (Post ASSB16)	% Change (Post ASSB16)
Cash at Bank	41.3	35.8	15%
Statutory Net Assets	50.8	47.9	6%
Assets not on Balance Sheet <sup>1</sup>	36.6	36.6	0%
Estimated Net Assets <sup>2</sup>	<b>87.4</b>	<b>84.5</b>	<b>3%</b>
Estimated Net Assets (cents per share) <sup>2</sup>	52.4c	50.6c	3%

- 24.8 cents cash per share underpins a strong balance sheet and future growth opportunities.
- Management's estimate of the Property Management rent roll value is \$50.0m based on a 3.5x multiple of Q2 FY22 (annualised) Management Fees. Only \$13.4m of this value is held on the Balance Sheet at Dec 2021.
- Estimated Net assets has increased by 3% to 52.4c per share.

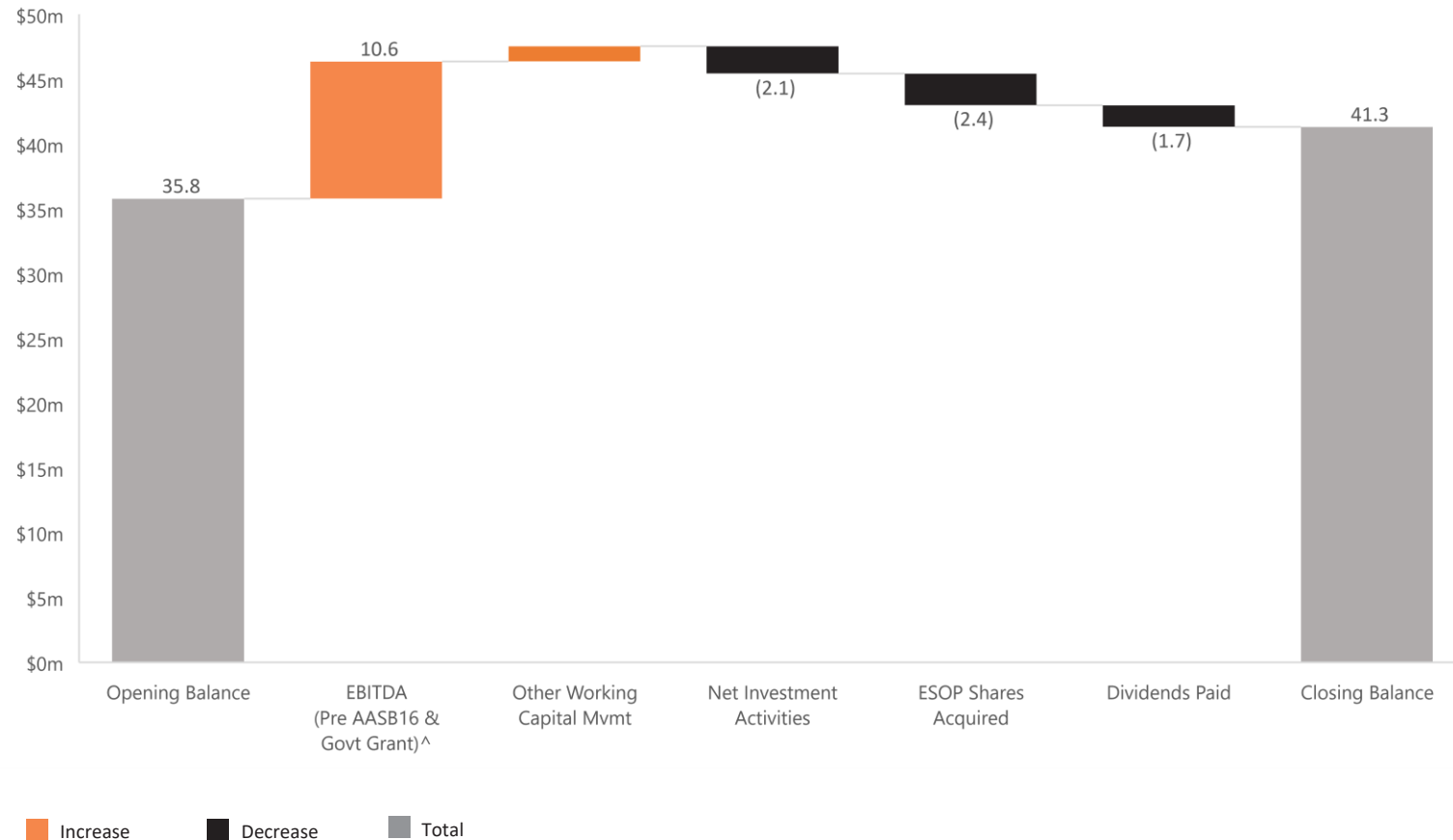


1. Management Valuation calculated on blended valuation multiple of 3.5x on Q2 FY22 Annualised Property management fees (\$50.0m). Only \$13.4m of this value is held on the Balance Sheet.

2. This is a non A-IFRS measure



# \$41.3M CASH BALANCE DRIVEN BY STRONG OPERATING CASHFLOWS



## OPERATING CASH FLOW DRIVEN BY:

- Strong trading performance

## FUNDING THE NET INVESTMENT ACTIVITIES OF \$2.1M:

- \$2.6m Investment in Coogee (NSW) rent roll, office refurbishments and IT initiatives.
- Offset by sale proceeds from Rouse Hill as part of the conversion to Franchise.

## CAPITAL MANAGEMENT ACTIVITIES \$4.1M

- Employee share scheme (ESOP) investment.
- Dividends.

^ This is a non A-IFRS measure.

# CAPITAL MANAGEMENT



## ORDINARY DIVIDEND

The company has declared a 1.0c per share, fully franked interim dividend, payable on the 23<sup>rd</sup> March 2022.



## SPECIAL DIVIDEND

The company has declared a fully franked one-off special dividend of 1.5c per share, payable on the 23<sup>rd</sup> March 2022, flowing from one-off capital gains of approximately \$5m from the partial sell down of Oxygen business and the sale of the Parramatta office in 2021.



## ON MARKET BUY BACK

Twelve month on market buy-back program targeting the acquisition of \$2.5m of MEA shares to commence on 28<sup>th</sup> March 2022.

Due to limited other acceptable investment opportunities, a share buy-back represents the best investment at these levels.



# STRATEGIC AND BUSINESS GROWTH OPPORTUNITIES

03

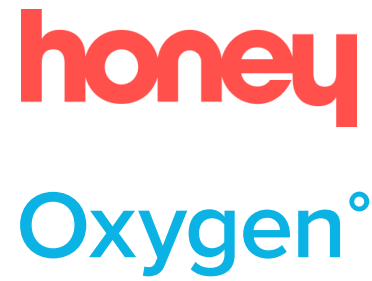
**McGrath**

# STRATEGIC AND BUSINESS GROWTH OPPORTUNITIES



PROVIDE CLIENTS  
WITH COMPLIMENTARY PRODUCTS

Home insurance and  
Mortgages.

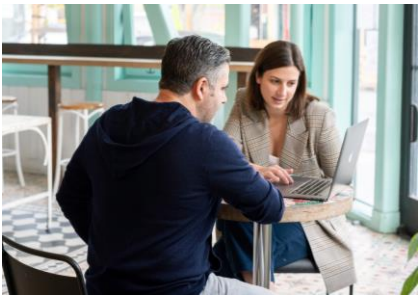


STRATEGIC PARTNERSHIPS  
AND INVESTMENT



ORGANIC GROWTH -  
FRANCHISE

East Coast opportunities to  
expand footprint.



INDUSTRY CONSOLIDATION  
OPPORTUNITIES

Continue to assess other real estate  
industry opportunities.



IMPROVED DIGITAL OFFERING

Generating increased customer  
engagement and opportunity.

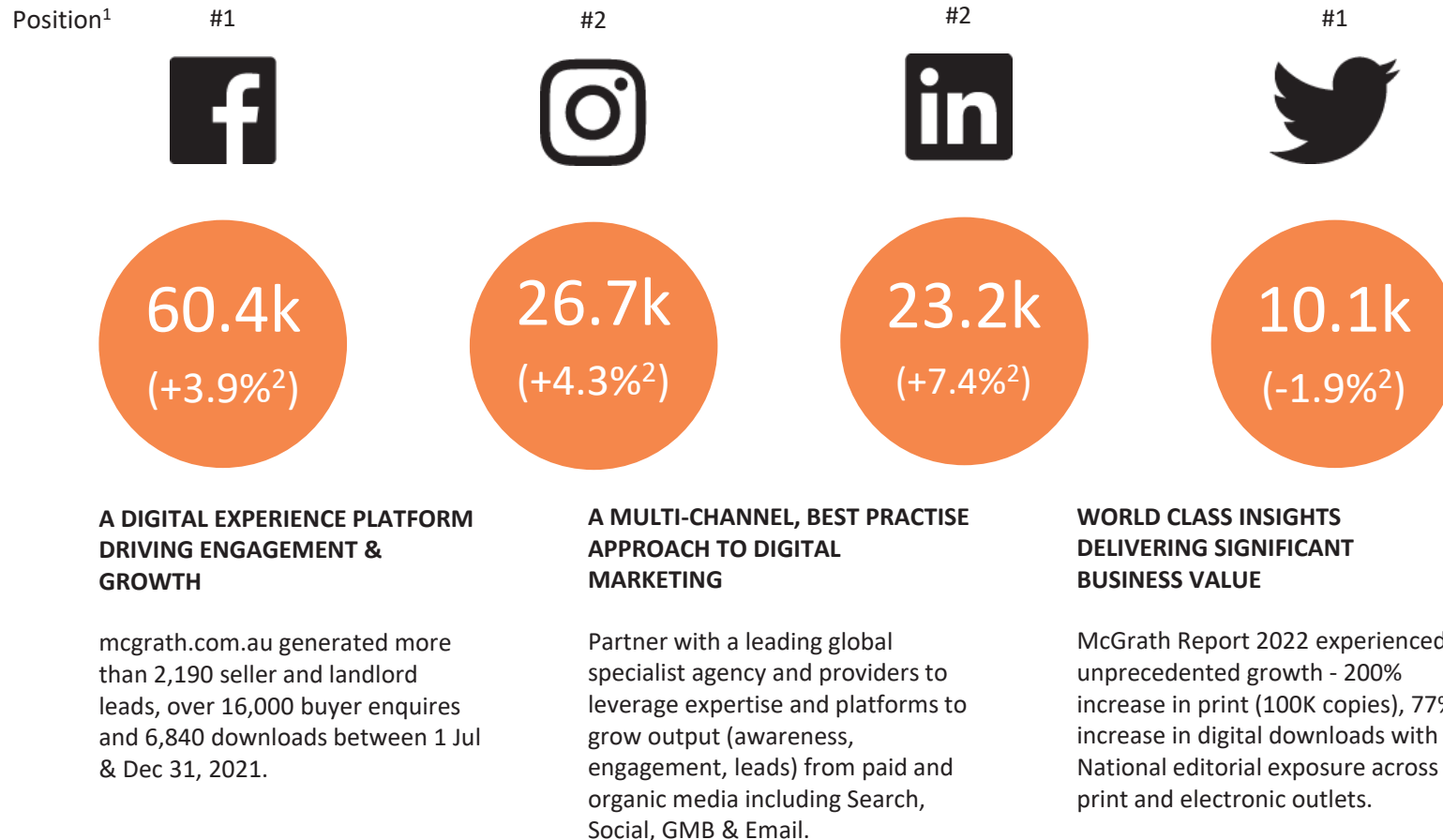


# STRATEGIC PARTNERSHIP AND INVESTMENT IN HONEY



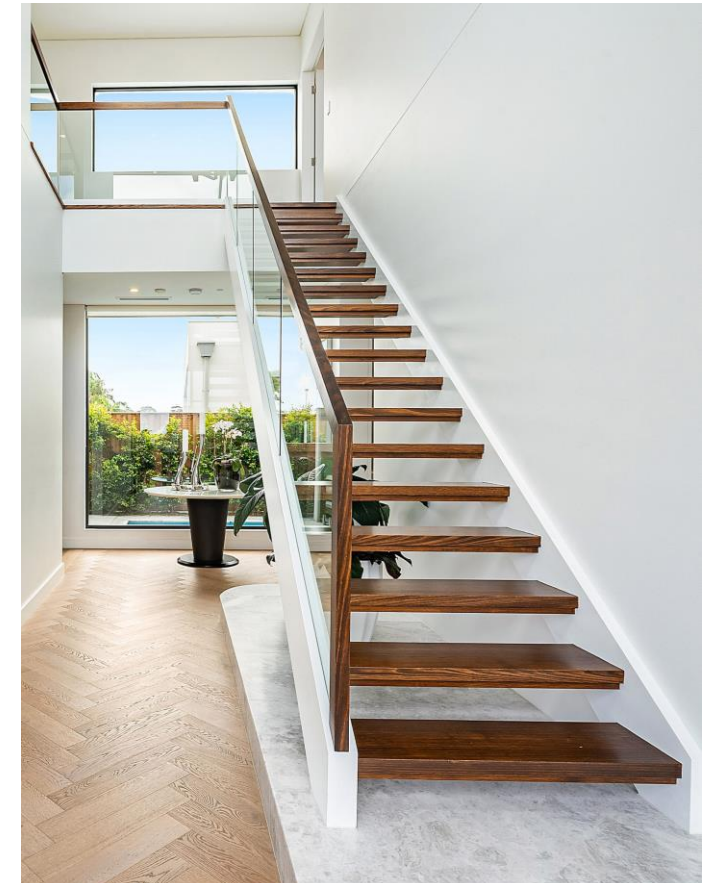
STRATEGY	Investing in real estate related businesses that provide synergies and are scalable. Pivot towards leading edge technology solutions and partnerships.
OUR CLIENTS	Provide our clients with complimentary products and services.
INVESTMENT	Investment of \$6.5 million in Honey through a Convertible Note with a maturity date of 31 December 2023 which: <ul style="list-style-type: none"><li>• At Honey's next qualifying raise will convert to equity at a discount to the current market value of Honey; or</li><li>• At maturity, at McGrath's option, is either redeemable or converts to equity.</li></ul>
HONEY	Previously raised \$15.5 million, the largest seed investment in Australian tech history. This funding was from industry leaders such as AGL, Metricon, Mirvac, and PEXA and other leading Australian tech companies.
HOME INSURANCE MARKET	10 billion dollar market. Honey has a market edge through its first mover advantage, establishing distribution networks with investors and a 10 year agreement with RACQ as an underwriter.

# IMPROVED DIGITAL OFFERING GENERATING INCREASED ENGAGEMENT AND OPPORTUNITY



1. Current position (Feb-22) amongst Australian Real Estate Brand Accounts in terms of followers

2. Growth on Feb-21 number of followers





# MARKET INSIGHTS AND OUTLOOK

04

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# RESIDENTIAL REAL ESTATE UNDERPINS AUSTRALIA'S WEALTH

SINCE 30 JUNE 2021, RESIDENTIAL REAL ESTATE WORTH HAS GROWN BY \$1.0 TRILLION TO \$9.6 TRILLION AND NOW REPRESENTS 55.6% OF HOUSEHOLD WEALTH



**\$9.6 TRILLION  
RESIDENTIAL REAL  
ESTATE**



**\$1.0 TRILLION  
COMMERCIAL REAL  
ESTATE**



**\$3.4 TRILLION AUSTRALIAN  
SUPERANNUATION**



**\$2.9 TRILLION AUSTRALIAN  
LISTED STOCKS**



**10.7 MILLION NUMBER  
OF DWELLINGS**



**653,009 TOTAL  
SALES P.A.**



**55.6% HOUSEHOLD  
WEALTH HELD IN HOUSING**



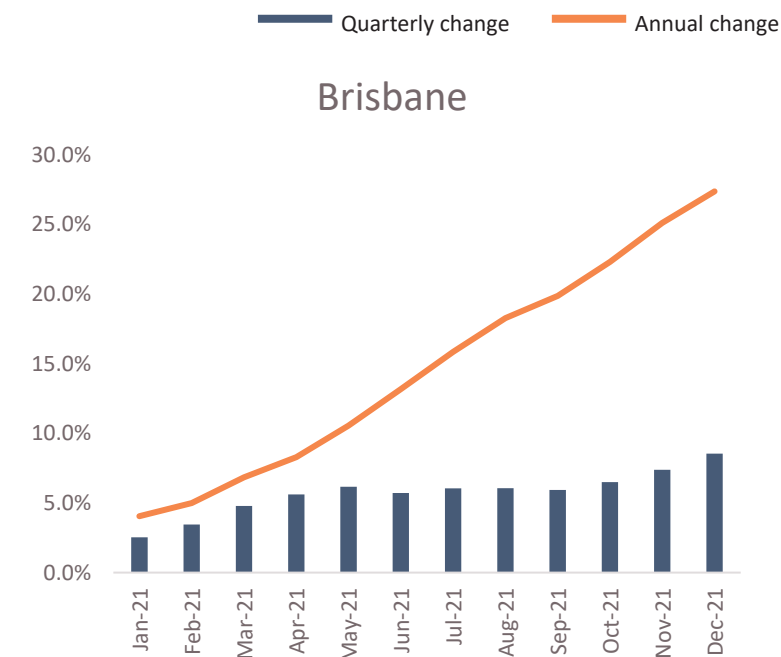
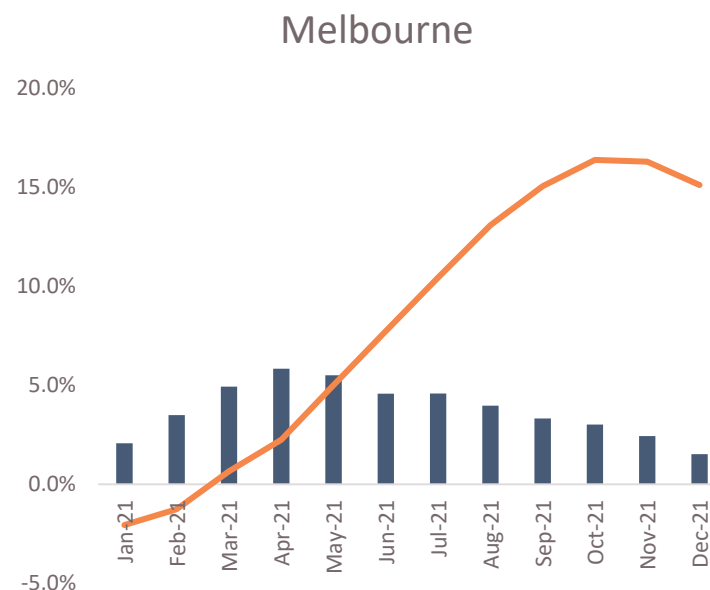
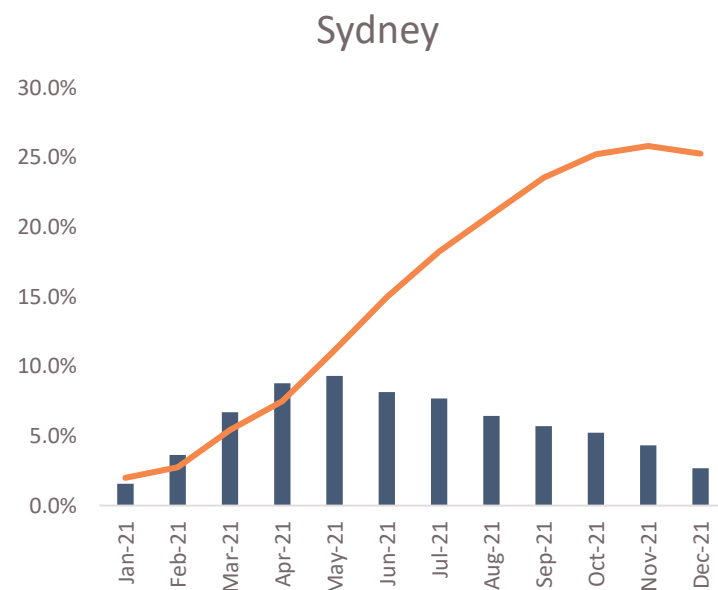
**\$2.0 TRILLION OUTSTANDING  
MORTGAGE DEBT**



**\$494.6 BILLION  
GROSS VALUE OF  
SALES P.A.**

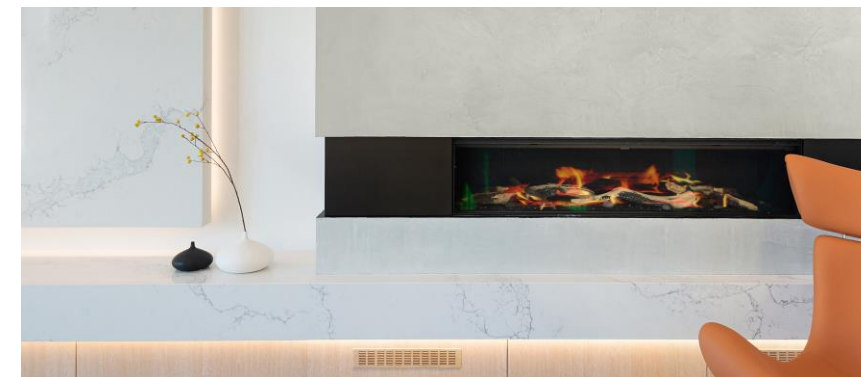
# DWELLING PRICES IN KEY MARKETS CURRENTLY AT RECORD HIGHS WITH RATE OF GROWTH SLOWING OFF MID YEAR LEVELS

CHANGE IN CAPITAL CITY DWELLING MARKET VALUES



- Rate of dwelling price growth in the Sydney and Melbourne markets has continued to slow over the prior 6 months
- Brisbane dwelling price growth is still showing quarter on quarter growth

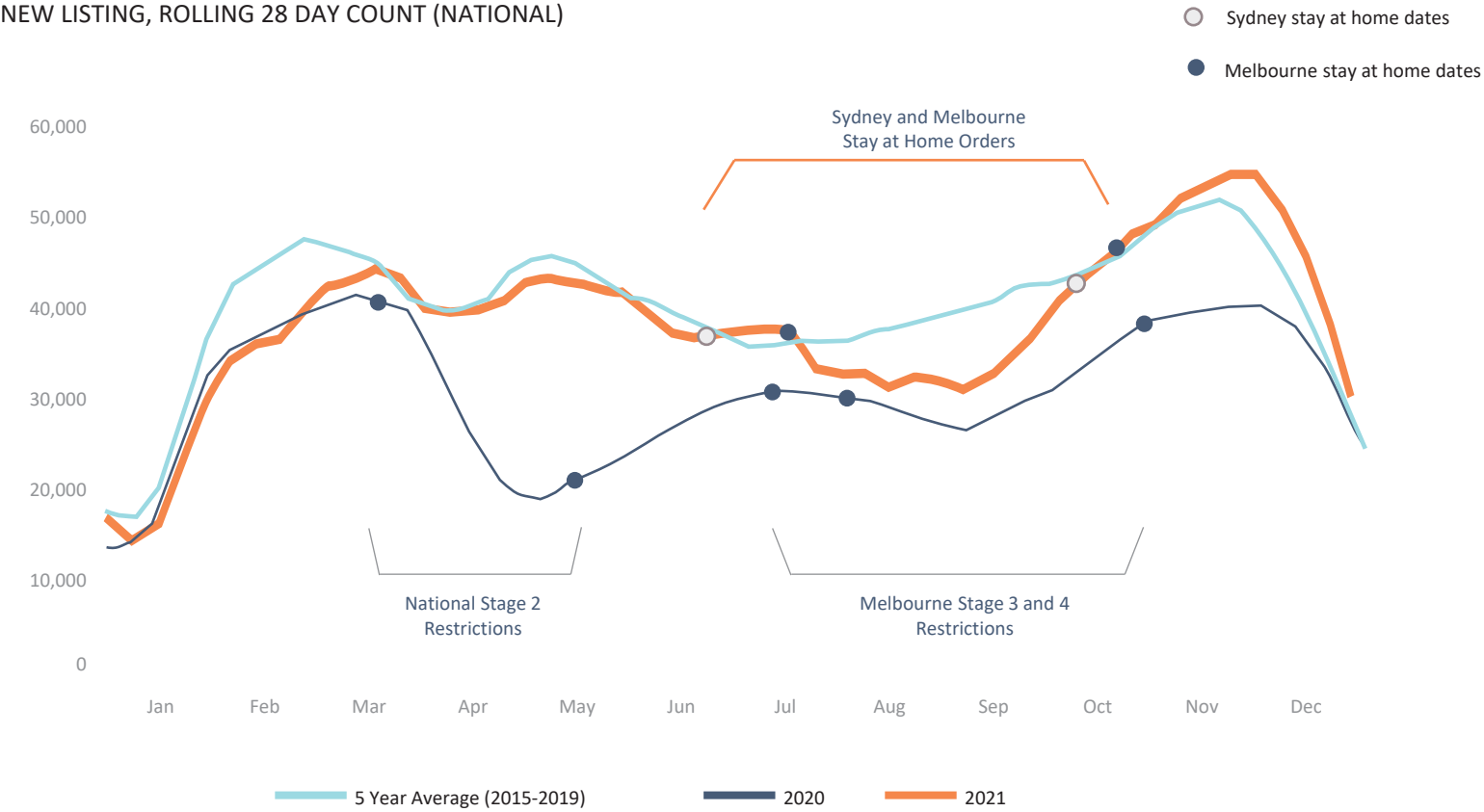
Source : CoreLogic, Hedonic Home Value Index, Jan-22





# NEW LISTINGS RECOVER AND EXCEEDED 5 YEAR AVERAGE BY YEAR END

NEW LISTING, ROLLING 28 DAY COUNT (NATIONAL)



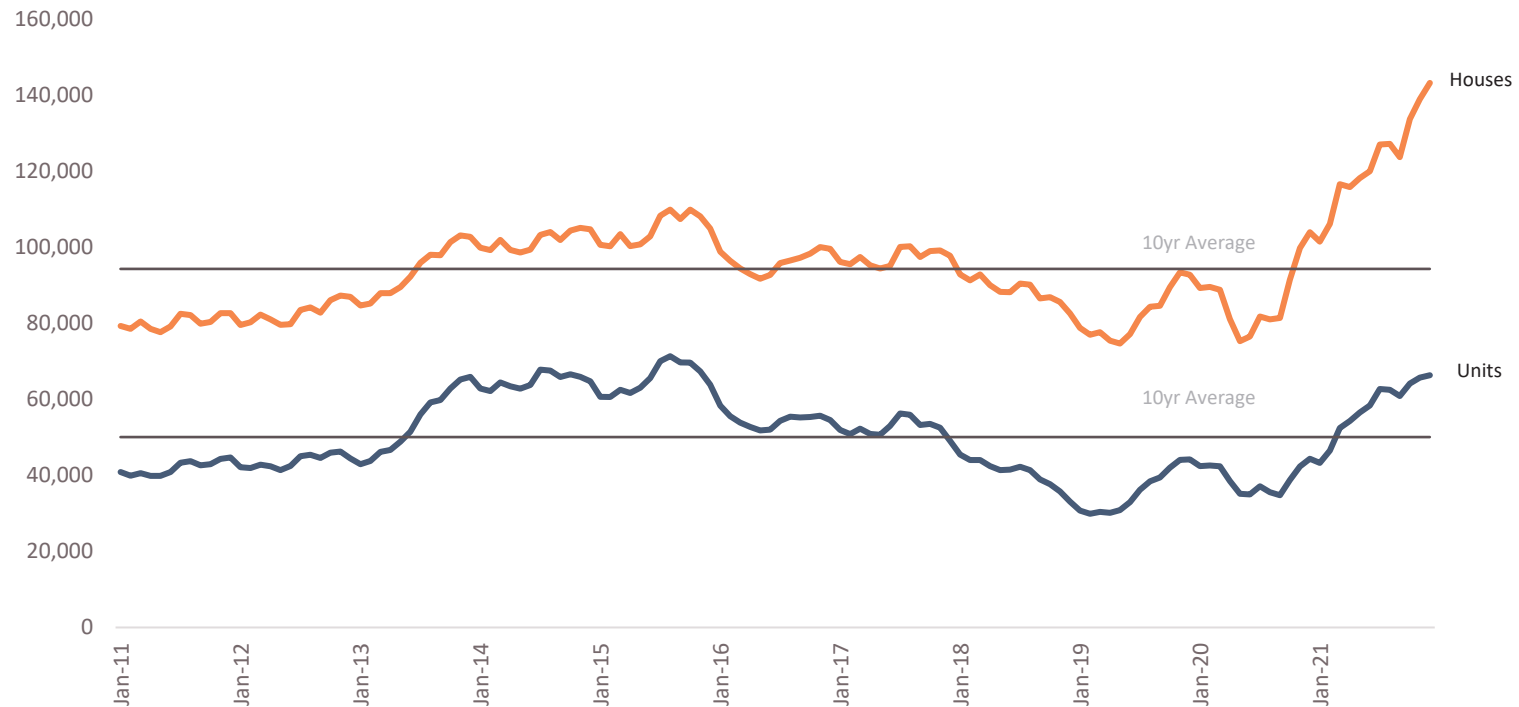
- New listings at the end of 2021 recovered once Sydney and Melbourne exited lockdowns.



Source : CoreLogic, The housing market through pandemic lockdowns, July 2021

# SALES ACTIVITY IN THE LAST 6 MONTHS HAS CONTINUED TO BE ABOVE THE 10 YEAR AVERAGE

5 CAPITAL CITY, ROLLING SIX MONTH NUMBER OF DWELLING SALES



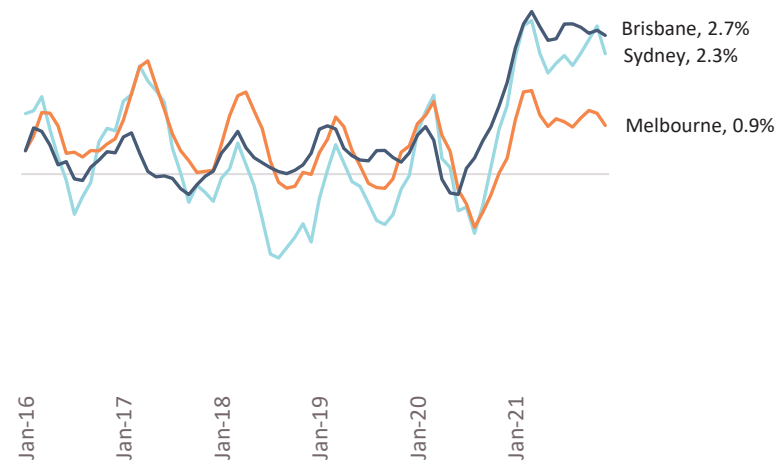
Source : CoreLogic. Note: recent months of sales volumes are modelled estimates by CoreLogic, and are subject to revision.

- A record number of houses sold in the last 6 months
- The increase in the number of houses being sold is outpacing the rise in units

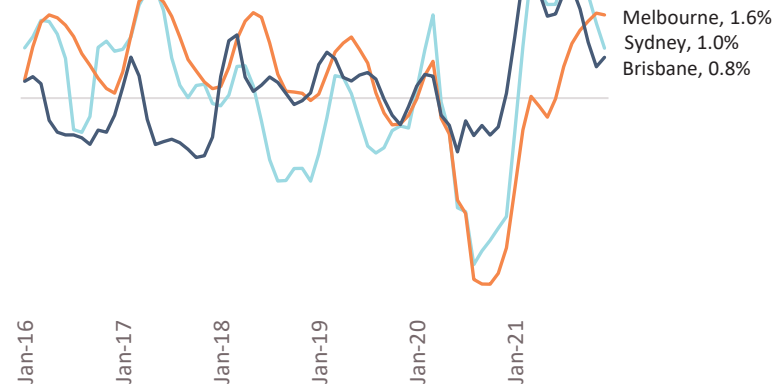


# GROWTH IN RENTS HAS RECOVERED FROM INITIAL COVID-19 LOCKDOWNS, PARTICULARLY APARTMENTS

ROLLING QUARTERLY CHANGE IN RENTS - HOUSES



ROLLING QUARTERLY CHANGE IN RENTS - APARTMENTS



- Following the reduction in rents experienced during the COVID-19 lockdowns, growth in housing rent has stabilised over the last 12 months while units has also recovered.
- 77% of the McGrath Company Owned Property Management portfolio is concentrated in the broader Sydney market. The remaining 23% is in Brisbane and Gold Coast.



Source : CoreLogic, Hedonic rental index, Jan-22



# OUTLOOK



## SLOWER UNDERLYING EBITDA GROWTH IN THE CURRENT HALF

- This is the second year of very strong performance and as a consequence a slower Underlying EBITDA growth in the current half compared with the exceptional 60% Underlying EBITDA growth achieved in the first half is to be expected.



## FUNDAMENTALS OF THE PROPERTY MARKET REMAIN STRONG

- Healthy pipeline of listings for the traditionally strong Autumn season
- Group is well positioned for future growth

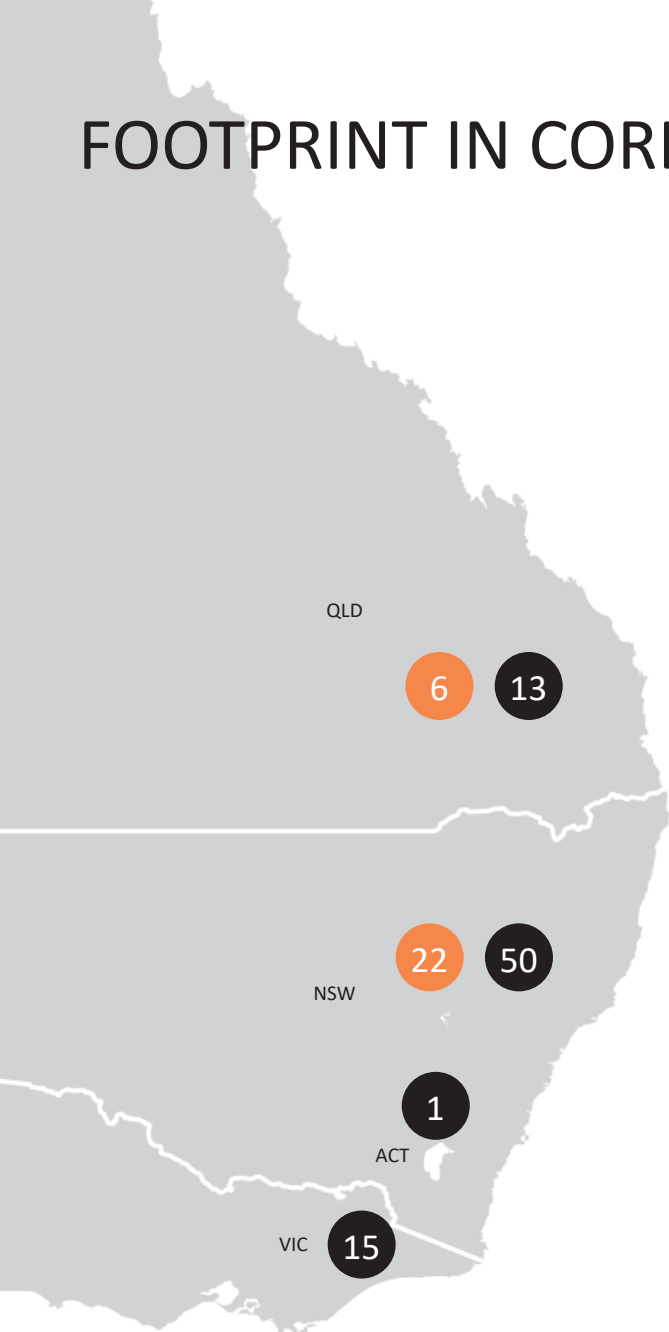
# APPENDIX

05

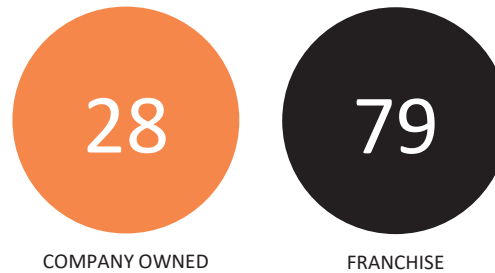
**McGrath**



# FOOTPRINT IN CORE MARKET



1. As at 31 December 2021



## OFFICE MOVEMENT SINCE JUNE 2021:

### COMPANY OWNED

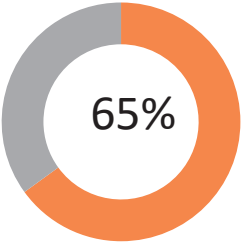
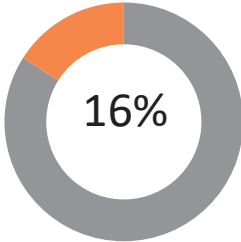
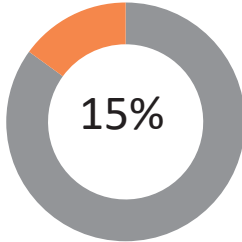
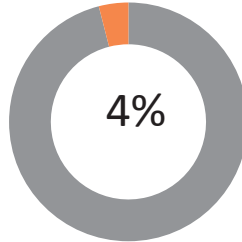
- Rouse Hill (Nov-21)

### FRANCHISE

- + Rouse Hill (Nov-21)
- + Stanhope Gardens (Nov-21)
- + Ivanhoe (Nov-21)
- Springwood (Jul-21)
- Sandringham (Sep-21)



# BUSINESS OVERVIEW BY SEGMENT

	COMPANY OWNED		FRANCHISED SERVICES	OTHERS <sup>3</sup>
	Sales	Property Management		
H1 FY22 Underlying Revenue Proportion				
H1 FY22 Underlying EBITDA Contribution	\$8.6m EBITDA <sup>1</sup>	\$2.6m EBITDA <sup>1</sup>	\$5.3m EBITDA <sup>1</sup>	(\$0.1m) EBITDA <sup>1</sup>
Overview	<ul style="list-style-type: none"> <li>Generates revenue by charging the vendors of residential property a commission for successfully selling a property</li> <li>28 offices</li> <li>145 lead agents</li> <li>2,111 property sales</li> <li>\$4.3 billion value of property sales</li> </ul>	<ul style="list-style-type: none"> <li>Generates annuity style revenue through management and leasing fees</li> <li>45 property managers</li> <li>7,960 properties under management (leased)</li> <li>Annualised churn rate of 19%<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>Generates revenue from franchise fees on commission earned from successfully sold property and property management income</li> <li>79 offices</li> <li>319 agents</li> <li>5,686 property sales</li> <li>\$6.5 billion value of property sales</li> <li>26,480 properties under management</li> </ul>	<ul style="list-style-type: none"> <li>45% investment in Oxygen Home Loans, a Mortgage broking generating up front commissions and trailing revenue from each loan</li> <li>TRET organises and operates a number of industry leading residential real estate conferences in Australia</li> <li>47 exclusive auctioneers with 3,508 auctions booked</li> </ul>

Note: Pie chart represents revenue contribution of segment. Data for 6 months ending 31 December 2021 unless otherwise stated.

1. Pre AASB16, a Non A-IFRS measure. Excludes JobKeeper, gain on sale of Company owned offices and 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.

# PROFIT & LOSS

## STATUTORY

## UNDERLYING<sup>1</sup>

\$M	1H FY22	1H FY21	% Change	1H FY22 (Pre AASB16 and One Off Items) <sup>1</sup>	1H FY21 (Pre AASB16 and One Off Items) <sup>1</sup>	% Change
<b>Revenue</b>	<b>59.4</b>	<b>56.8</b>	<b>5%</b>	<b>59.4</b>	<b>51.5</b>	<b>15%</b>
Other income	0.4	4.0	-89%	–	–	n/a
Cost of sales	-23.2	-23.9	-3%	-23.2	-18.6	25%
<b>Gross Profit</b>	<b>36.6</b>	<b>36.9</b>	<b>-1%</b>	<b>36.1</b>	<b>32.9</b>	<b>10%</b>
Share of profit of an associate	0.1	-	n.m.	0.1	-	n.m.
Employee benefits expenses	-14.4	-15.2	-5%	-14.4	-15.2	-5%
Other expenses	-8.2	-8.2	0%	-11.3	-11.1	2%
<b>EBITDA</b>	<b>14.0</b>	<b>13.5</b>	<b>4%</b>	<b>10.6</b>	<b>6.6</b>	<b>59%</b>
Depreciation and Amortisation	-4.0	-4.0	-2%	-1.6	-1.7	-9%
<b>EBIT</b>	<b>10.1</b>	<b>9.5</b>	<b>n.m.</b>	<b>9.0</b>	<b>4.9</b>	<b>83%</b>
Net finance (expense/income)	-0.6	-0.8	-21%	0.1	0.0	n.m.
<b>Net Profit before tax</b>	<b>9.5</b>	<b>8.7</b>	<b>9%</b>	<b>9.2</b>	<b>5.0</b>	<b>85%</b>
Income tax expense	-2.6	-0.6	n.m.	-2.5	-0.6	n.m.
<b>Net Profit after tax</b>	<b>6.9</b>	<b>8.1</b>	<b>-15%</b>	<b>6.7</b>	<b>4.4</b>	<b>52%</b>

<sup>1</sup> Underlying results adjust for the impact of the sale of Rouse Hill office in the current year and the sale of the Parramatta office and JobKeeper benefits in the prior year, and exclusion of AASB16 leasing standard in both years.

n.m. = not meaningful.

Note: Values do not add due to rounding differences

# SEGMENT PERFORMANCE

## STATUTORY

## UNDERLYING<sup>1</sup>

\$M	1H FY22	1H FY21	% Change	1H FY22 (Pre AASB16 and One Off Items) <sup>1</sup>	1H FY21 (Pre AASB16 and One Off Items) <sup>1</sup>	% Change
Revenue						
Co Owned Sales	38.4	38.8	-1%	38.4	33.5	15%
Property management	9.6	10.1	-5%	9.6	10.1	-5%
Franchise	9.0	5.8	55%	9.0	5.8	55%
Other	2.4	2.2	9%	2.4	2.2	9%
Total Revenue	59.4	56.8	5%	59.4	51.5	15%
EBITDA						
Co Owned Sales	10.8	9.2	17%	8.6	6.5	32%
Property management	2.8	4.1	-32%	2.6	3.0	-13%
Franchise	5.3	3.4	56%	5.3	3.3	61%
Other	0.4	0.7	-43%	-0.1	-0.1	-
Corporate	-5.3	-3.8	39%	-5.7	-6.1	-7%
Total EBITDA	14.0	13.5	4%	10.6	6.6	61%
EBITDA Margins						
Co Owned Sales				22%	19%	
Property management				27%	30%	
Franchise				59%	57%	
Other				n.m.	n.m.	
Total				18%	13%	

<sup>1</sup> Underlying results adjust for the impact of the sale of Rouse Hill office in the current year and the sale of the Parramatta office and JobKeeper benefits in the prior year, and exclusion of AASB16 leasing standard in both years.  
n.m. = not meaningful.



# CASH FLOW

\$M	1H FY22 (Statutory) (Post ASSB16)	1H FY21 (Underlying) (Pre ASSB16)^	1H FY21 (Underlying) (Pre ASSB16)^
EBITDA	14.0	10.6	6.6
Change in net working capital	0.7	1.0	1.4
Net interest (paid) / received	-0.6	0.1	0.1
Net cash flow from operating activities	14.2	11.8	8.1
Proceeds of property, plant and equipment disposals	-	-	0.1
Proceeds of intangible assets disposals	0.5	0.5	1.8
Purchase of property, plant and equipment	-0.4	-0.4	-0.1
Purchase of intangible assets	-2.2	-2.2	-1.7
Net loans granted	-0.1	-0.1	-0.8
Net cash flow from investing activities	-2.1	-2.1	-0.8
Payment for lease liabilities	-2.4	-	-
Payment for treasury shares	-2.4	-2.4	-
Dividends paid	-1.7	-1.7	-
Net cash flow from financing activities	-6.5	-4.1	-
Opening balance	35.8	35.8	17.3
Net cash flow	5.5	5.5	7.4
Closing Balance	41.3	41.3	24.6

# BALANCE SHEET

\$M	DEC 2021 (Statutory) (Post ASSB16)	JUN 2021 (Statutory) (Post ASSB16)	% Change
Cash at bank	41.3	35.8	15%
Other current assets	22.4	22.6	(1%)
Total non-current assets	39.3	43.3	(9%)
Total Assets	103.0	101.6	1%
Total current liabilities	33.5	31.4	7%
Total non-current liabilities	18.6	22.3	(17%)
Total liabilities	52.1	53.7	(3%)
Net Assets	50.8	47.9	6%
Assets not on balance sheet <sup>1</sup>	36.6	36.6	(0%)
Estimated Net Assets <sup>2</sup>	87.4	84.5	3%
Estimated Net Assets (cents per share) <sup>1</sup>	52.4c	50.6c	3%

1. Management Valuation calculated on blended valuation multiple of 3.5x on Q2 FY22 Annualised Property management fees (\$50.0m). Only \$13.4m of this value is held on the Balance Sheet at Dec 2021.

2. This is a non A-IFRS measure

Note: Values do not add due to rounding differences

# McGRATH CONTACTS ASSOCIATED WITH THIS PRESENTATION



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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

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**McGrath**