

McGrath Limited Confirms FY22 Trading Outlook

23 May 2022 - McGrath Limited (ASX: MEA) (**McGrath** or the **Company**) today announced it expects its Full Year Underlying EBITDA¹ results for the 2022 financial year to June 30 to be in the range of \$18.0 million to \$20.0 million - the midpoint being approximately 8% above the previous year.

Earnings update:

- McGrath expects the 2022 financial year's underlying EBITDA¹ to be in the \$18 million to \$20 million range, compared with \$17.6 million for the prior year.
- The statutory reported Net Profit After Tax (**NPAT**) is expected to be lower in FY2022, given one-off abnormal items of about \$6 million posted in the previous corresponding period.

Key points on the trading conditions for the residential property sector in calendar year 2022 include:

- April and May have been disruptive for the real estate industry with a spike in COVID-19, public holidays, the federal election campaign and a rise in the interest rates announced by the Reserve Bank.
- April new listings for the industry were around 17%² lower than previous corresponding month in 2021.
- Listing volumes appear to be stabilising at lower levels in May, holding at the same reduction against prior year experienced during April.
- In the three months to April, average selling prices capital city homes saw upper quartile values fall -0.5%³, and similar trend is expected in May and June.

Newly appointed Chief Executive Officer and Managing Director, Mr. John McGrath said “While our results in April and May have been impacted by a range of external factors, I am very happy overall with the new direction of the Company with a firm focus on talent and technology delivering our Customers continued superior results.

“Our internal estimates indicate we are gaining market share in many key markets, which is a testimony to the high quality of our agents and franchise partners’ service offering alongside our brand.

“The previous cycle was overheating and we needed a breather to slow down the sustained price escalation,” he added.

Mr. McGrath said that he and the business had been through at least six market corrections in the last 40 years. “Everyone panics when things slow down or prices come back but if you look at history, these periods do not last long and prices rarely come back more than 8% to 9%. In fact, when interest rates peaked at astronomical levels of 17.5% around 1990, prices only retreated around 10%.

“We expect McGrath will show high single digit growth in EBITDA for the financial year and we are in a very strong financial position, with currently about \$35 million in cash on hand after investing more than \$6.0 million in corporate expansion and approximately \$1.3 million in the current on market buyback program. We expect an increase in listing activity now the Federal election is over and are well placed to grow further market share moving forward.

“The fundamentals of property market remain strong and we are in solid position to not only withstand any short-term market volatility but also to capitalise on opportunities to grow our earnings and increase shareholder value”, concluded Mr. McGrath.

McGrath will announce its full year FY2022 audited results on 22 August 2022.

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Authorised for release by McGrath Board of Directors

1. *Pre-adoption of AASB 16 Leasing standard and sale of business and government grants*
2. *Proptack listing reports May2022*
3. *Corelogic pack May2022*

For further information, please contact:

Investors

Howard Herman CFO
02 9386 3333

Media

Terri Sissian Tim Allerton
0419 881 414 0412 715 707

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.