

23 August 2021

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

**BY ELECTRONIC LODGEMENT**

**FY2021 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 2021.

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

**For Investor and media enquiries, contact:**

**Investors**

Eddie Law CEO  
Howard Herman CFO  
02 9386 3333

**Media**

Terri Sissian  
0419 881 414  
  
Tim Allerton  
0412 715 707

A modern living room with a stone fireplace on the left, a large TV on a wooden stand in the center, and glass doors leading to a deck on the right. The room is furnished with a light-colored sofa, a round tufted ottoman, and a small round table with a plant. The text is overlaid on the image.

# McGRATH LIMITED (ASX: MEA)

INVESTOR PRESENTATION FOR YEAR END RESULTS  
30 JUNE 2021

EDDIE LAW CEO | HOWARD HERMAN CFO

23 AUGUST 2021



# KEY MESSAGES

## REVENUE

\$30.7m (34%) increase to \$122.4m

## UNDERLYING EBITDA

Significant Underlying EBITDA increase of \$14.0m to \$17.7m

## STATUTORY NET PROFIT

\$18.3m increase in Net Profit to \$19.0m

## BALANCE SHEET

Strong Balance Sheet with zero debt and a \$35.8m Cash Balance

## DECLARED DIVIDEND

Final dividend of 1.0 cent fully franked per share declared and to be paid in September 2021. Resulting in a 1.5 cent fully franked dividend per share in FY21.



A photograph of a modern residential property at dusk. The scene features a covered walkway with a stone wall and wooden pillars, a well-manicured lawn, and several palm trees. The sky is a deep blue, and the interior lights of the house are visible through the open walkway. The overall atmosphere is serene and sophisticated.

# FINANCIAL HIGHLIGHTS

01

McGrath



# 34% INCREASE IN REVENUES DRIVING SIGNIFICANT INCREASE IN EBITDA AND NET PROFIT



**34%  
INCREASE  
IN REVENUES**



**\$14.0M UNDERLYING  
EBITDA GROWTH**

\$16.5M INCREASE IN GROSS PROFIT  
CONTRIBUTION

COST OF DOING BUSINESS AT 43.0% OF  
REVENUE- A REDUCTION FROM 54.7%  
OF REVENUE IN FY20



**\$18.3M INCREASE IN  
STATUTORY NET  
PROFIT**

\$M	STATUTORY			UNDERLYING <sup>1</sup>		
	FY21	FY20	Change	FY21 (Pre AASB16 and Govt Grants) <sup>1</sup>	FY20 (Pre AASB16 and Govt Grants) <sup>1</sup>	Change
Revenue	122.4	91.6	30.7	122.4	91.6	30.7
EBITDA	30.8	11.8	19.0	17.7	3.7	14.0
Net Profit/(loss) after tax	19.0	0.7	18.3	13.7	(0.6)	14.4

1. Underlying results adjusted for the impact of the Parramatta, Blacktown and Oxygen Gains on Sale, AASB16 leasing standard and JobKeeper benefit

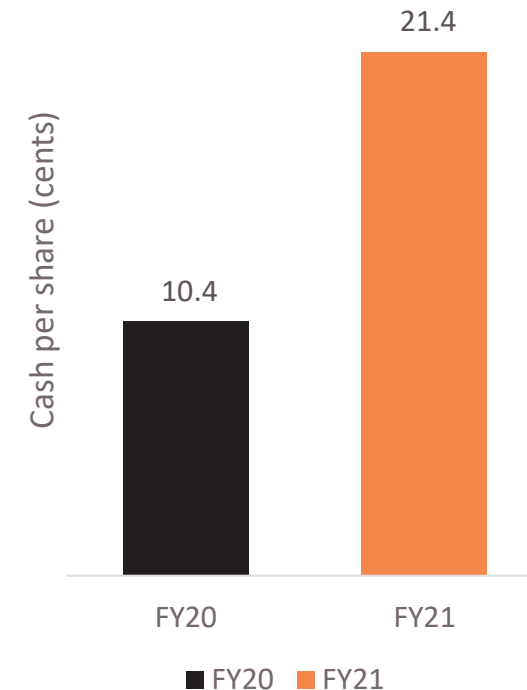
# FURTHER STRENGTHENING OF BALANCE SHEET WITH \$35.8M IN CASH AND NO DEBT

\$M	Jun 2021 (Statutory) (Post ASSB16)	JUN 2020 (Statutory) (Post ASSB16)	% Change (Post ASSB16)
Cash at Bank	35.8	17.3	107%
<b>Statutory Net Assets</b>	<b>47.9</b>	<b>30.2</b>	<b>59%</b>
Assets not on Balance Sheet <sup>2</sup>	36.6	41.1	(11%)
<b>Estimated Net Assets<sup>1</sup></b>	<b>84.5</b>	<b>71.3</b>	<b>19%</b>
<b>Estimated Net Assets (cents per share)<sup>1</sup></b>	<b>50.6c</b>	<b>42.7c</b>	<b>19%</b>

- 21.4 cents cash per share underpins a strong balance sheet and future growth opportunities.
- Management's estimate of the Property Management rent roll value is \$48.9m based on a 3.5x multiple of Q4 FY21 (annualised) Management Fees. Only \$12.4m of this value is held on the Balance Sheet.
- Due to the sale of Parramatta and Blacktown offices as well as a share of the Oxygen business, \$5.4m of assets previously held off balance sheet were recognised as a gain on sale as part of their disposals.
- Estimated Net assets has increased by 19% to 50.6c per share

1. This is a non A-IFRS measure

2. Management Valuation calculated on blended valuation multiple of 3.5x on Q4 FY21 Annualised Property management fees (\$48.9m). Only \$12.4m of this value is held on the Balance Sheet.

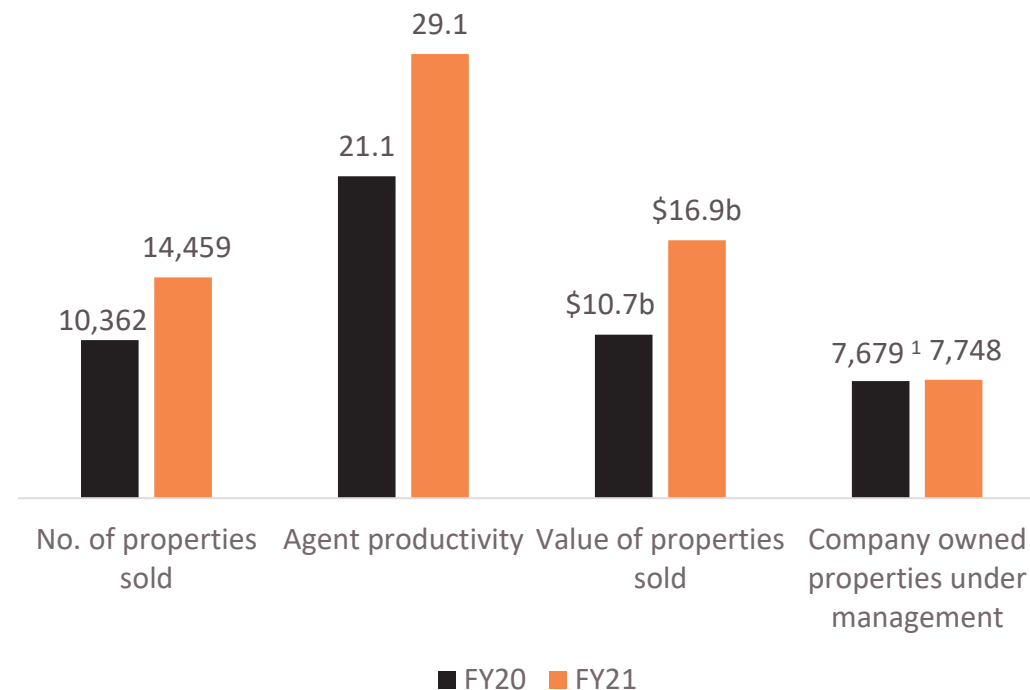


# STRONG PERFORMANCE IN KEY BUSINESS INDICATORS

KEY INDICATORS	FY21	FY20	% Change (Post ASSB16)
No. of Properties Sold	14,459	10,362	40%
Agent productivity (avg. no. of sales per agent)	29.1	21.1	38%
Value of properties Sold	\$16.9bn	\$10.7bn	58%
Company owned properties under management <sup>1</sup>	7,748	7,679	1%

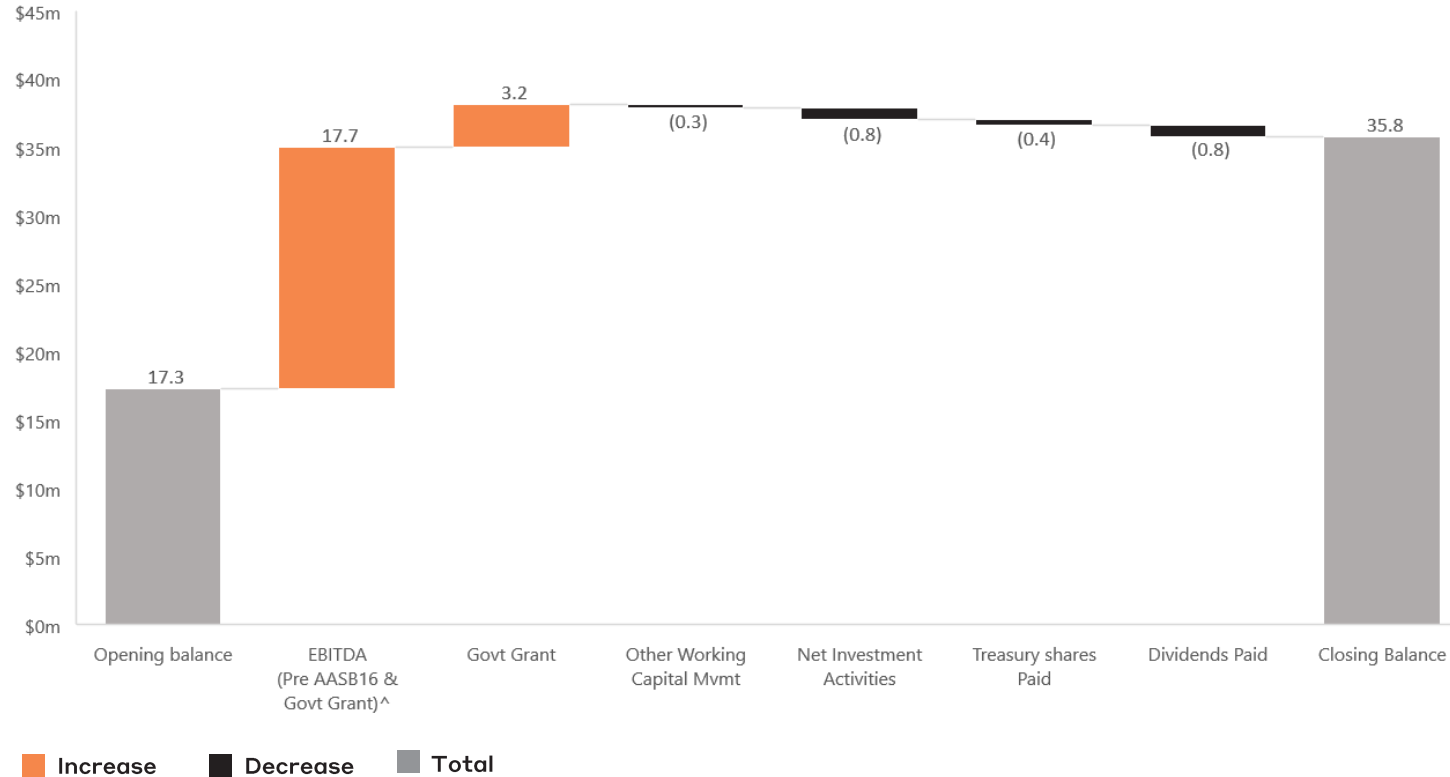
## SOLID GROWTH ACROSS KEY INDICATORS

- 40% increase in transaction volumes with increased average number of sales per agent of 29.1, up 38% on last year.
- 696 properties under management were sold as part of the Parramatta and Blacktown disposal of Company Owned offices and conversion to Franchise. Adjusting for this, a 1% increase in Company Owned Properties Under Management was achieved.



1. FY20 PUM adjusted for sale of Blacktown and Parramatta properties under management in the conversion of these offices to McGrath Franchise

# \$35.8M CASH BALANCE DRIVEN BY STRONG OPERATING CASHFLOWS



## OPERATING CASH FLOW DRIVEN BY :

- Improved Trading Performance
- Government Grant received in Q1 FY21

## CASH FLOW FROM OPERATIONS HAS FUNDED \$0.8M OF NET INVESTMENT ACTIVITIES AND \$0.8M OF DIVIDENDS:

- \$2.5m Investment in St Ives (NSW), Wilston (Qld) offices and IT initiatives
- Offset by Sale proceeds of \$1.6m from Parramatta and Blacktown as part of their conversion to Franchise.

^ This is a non A-IFRS measure.



# SUCCESSFULLY DEALING WITH COVID-19

## PEOPLE

### HEALTH & SAFETY

The health & safety of all stakeholders remains our highest priority

### REMOTE WORKING

Continued success of flexible workplace

## INNOVATION

### DIGITAL INSPECTION AND AUCTIONS

Seamless operation in digital environment when required

### SIGN ON GLASS

Streamlining the listing and selling process

## OPERATIONAL

### DESPITE SOME COVID RELATED VOLATILITY

Continue to transact successfully

### GOVERNMENT GRANTS

Eligible for JobKeeper as Turnover impacted at the onset of COVID-19 in March/April 20  
\$2.1m of JobKeeper recognised in Q1 of FY21

### TEAM MEMBERS RETAINED JOBS

Allowed for team members to retain their jobs through periods of lower activity

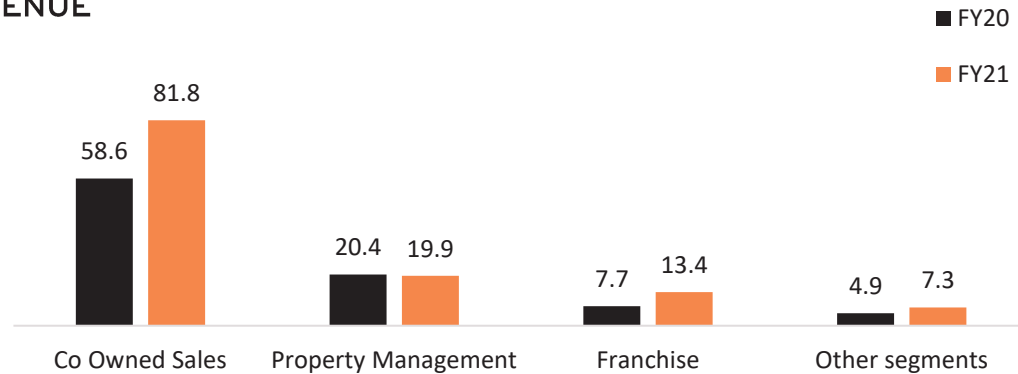
# SEGMENT PERFORMANCE

02

**McGrath**

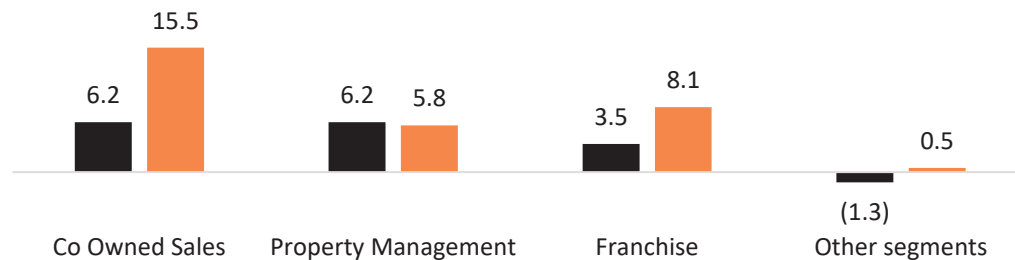
# SALES BUSINESSES DRIVING GROWTH

## REVENUE



## UNDERLYING EBITDA

Pre AASB16 and Govt Grant<sup>1</sup>



<sup>1</sup> This is a non A-IFRS measure.

## COMPANY OWNED SALES

- Benefits of scale allowing growth increase in gross profit contribution improving EBITDA margins.

## COMPANY OWNED PROPERTY MANAGEMENT

- Disposal of 696 properties under management (PUM) as part of the Parramatta and Blacktown conversions to Franchise.
- Portfolio growth excluding the earnings impact of these disposals.

## FRANCHISE

- Growth in revenue driven by expansion in Victoria and strong growth in NSW regional markets.

## OTHER SEGMENTS

- Improved performance driven from increased revenues.





# IMPROVED DIGITAL OFFERING GENERATING INCREASED ENGAGEMENT AND OPPORTUNITY

#1



59.9k

## OUR NEW DIGITAL EXPERIENCE PLATFORM

In FY21 mcgrath.com.au resulted in over 3,700 vendor and landlord leads & over 27,000 buyer enquires

#1



26.1k

## DIGITAL MARKETING

Refreshed digital marketing approach and content has seen Increased reach and engagement with current and potential clients

#2



22.4k

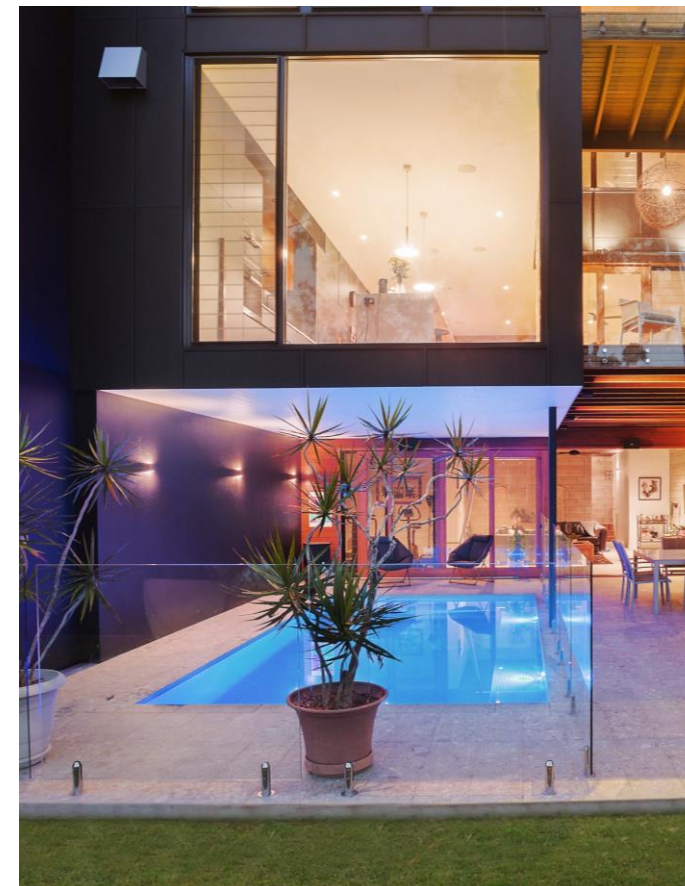
## COVID-19

Online Auctions, Virtual Appraisals and Inspections continued to provide business continuation options during COVID-19

#1



10.1k





# MARKET INSIGHTS

03

McGrath

# RESIDENTIAL REAL ESTATE UNDERPINS AUSTRALIA'S WEALTH.

SINCE 30 JUNE 2020, RESIDENTIAL REAL ESTATE WORTH HAS GROWN BY \$1.5 TRILLION



**\$8.6 TRILLION  
RESIDENTIAL  
REAL ESTATE**



**\$1.0 TRILLION  
COMMERCIAL  
REAL ESTATE**



**\$3.1 TRILLION  
AUSTRALIAN  
SUPERANNUATION**



**\$2.8 TRILLION  
AUSTRALIAN  
LISTED STOCKS**



**10.6 MILLION  
NUMBER  
OF DWELLINGS**



**582,913  
TOTAL  
SALES P.A.**



**54.3% HOUSEHOLD  
WEALTH HELD IN  
HOUSING**



**\$1.9 TRILLION  
OUTSTANDING  
MORTGAGE DEBT**



**\$376 BILLION  
GROSS VALUE  
OF SALES P.A.**

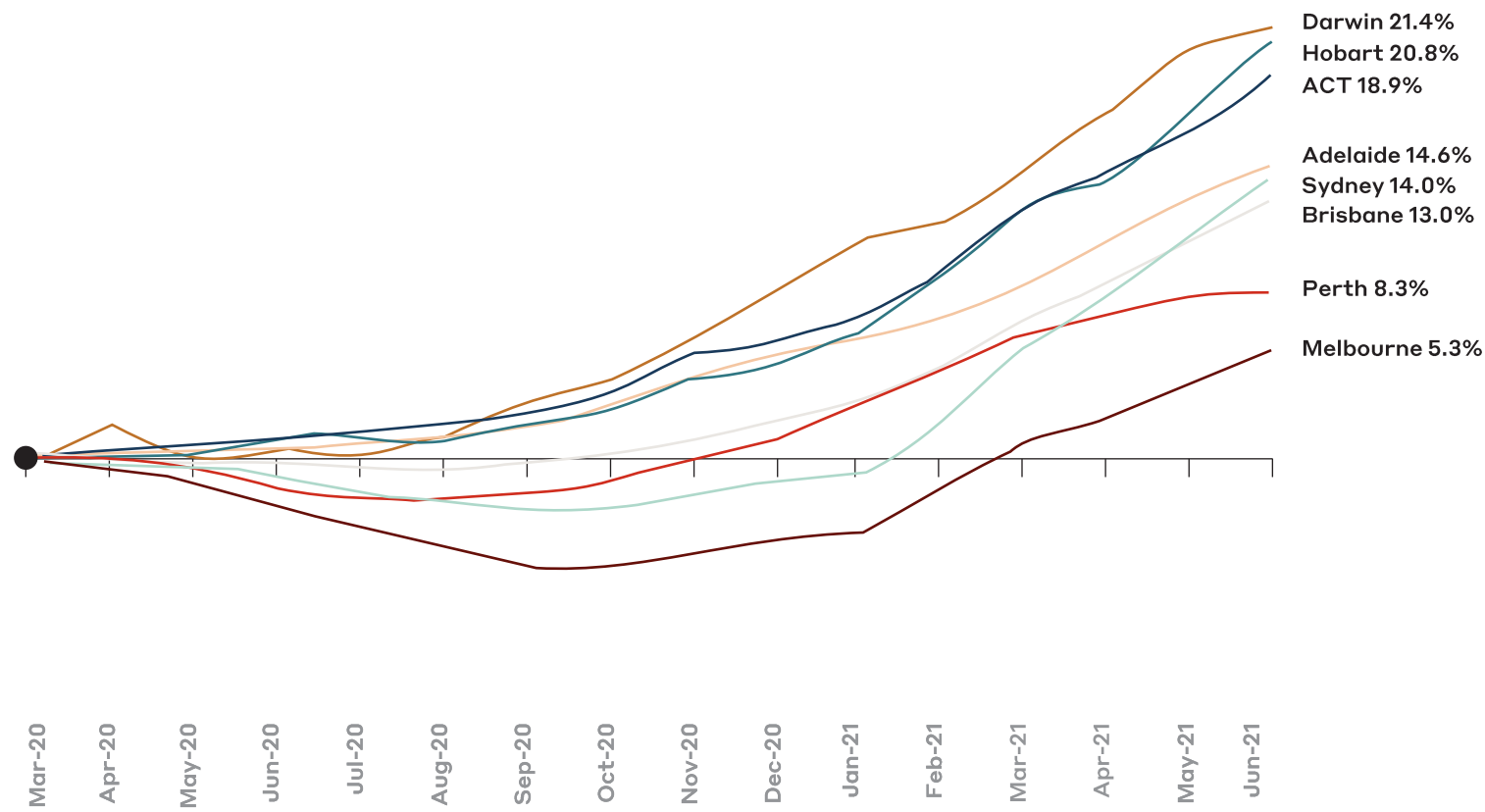
Source : CoreLogic, Monthly Chart Pack, July 2021



# HOUSE PRICES RECORDED A DROP INITIALLY IN COVID, BUT HAVE RECOVERED STRONGLY WITH MOST MARKETS AT RECORD PEAK PRICES

## CUMULATIVE CHANGE IN CAPITAL CITY DWELLING MARKET VALUES

March 2020 to June 2021



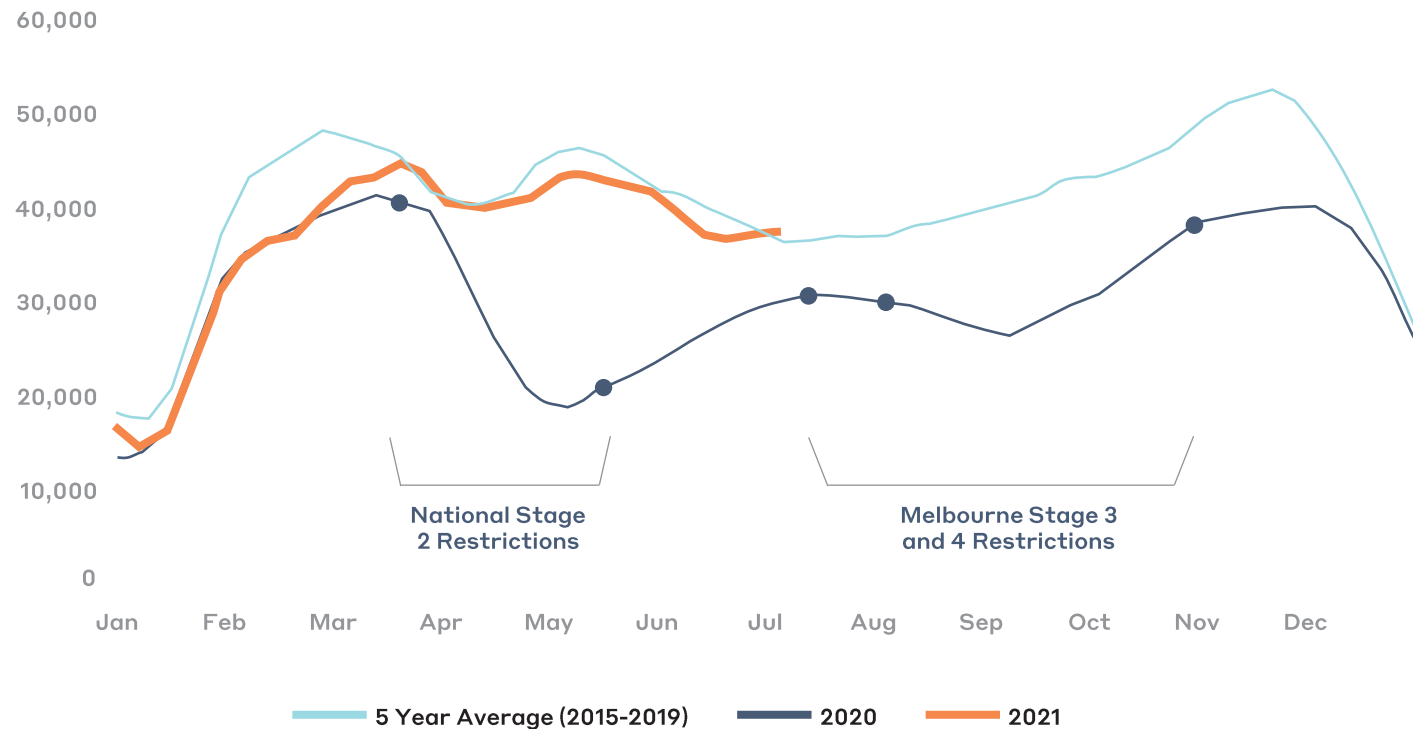
Source : CoreLogic, The housing market through pandemic lockdowns, July 2021

- All markets have recovered from price decreases initially recorded
- Strong price growth evidenced this calendar year off the back of high consumer confidence and record low interest rates



# LISTINGS RECOVER TO BE IN LINE WITH FIVE YEAR AVERAGE

NEW LISTING, ROLLING 28 DAY COUNT (NATIONAL)



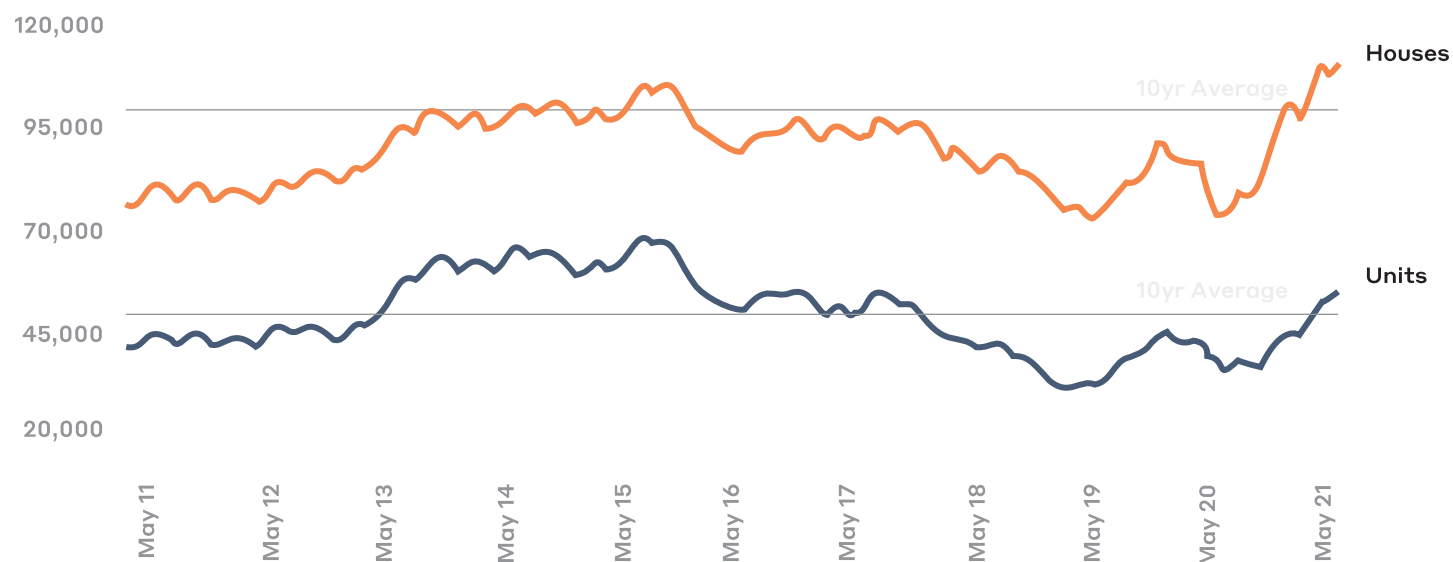
- Post COVID impacts in 2020, National listings have returned to be inline with the 5 year average
- Since 30 June, with recent COVID restrictions listings have trended down. In the 4 weeks to 8<sup>th</sup> August, listings remained 9.8% above 2020 levels and only 2.6% below the 5 year average.



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

# SALES ACTIVITY HAS RECOVERED IN BOTH HOUSE AND UNIT MARKETS TO BE ABOVE 10 YEAR AVERAGE

CAPITAL CITY, ROLLING SIX MONTH NUMBER OF DWELLING SALES



- Strong buyer activity has increased the conversion of listings to sales
- Both house and unit markets have recovered off previous year declines



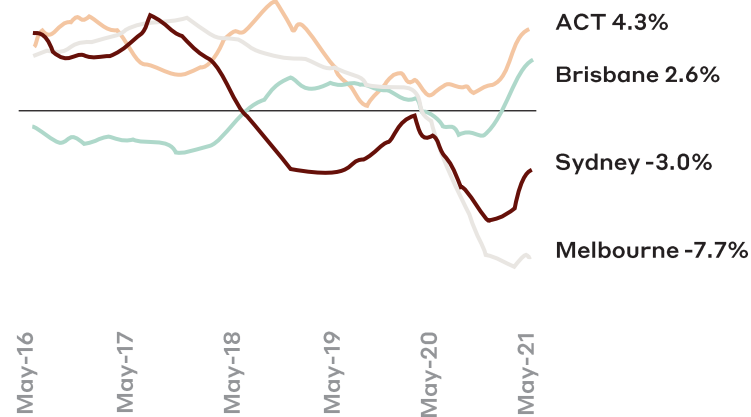
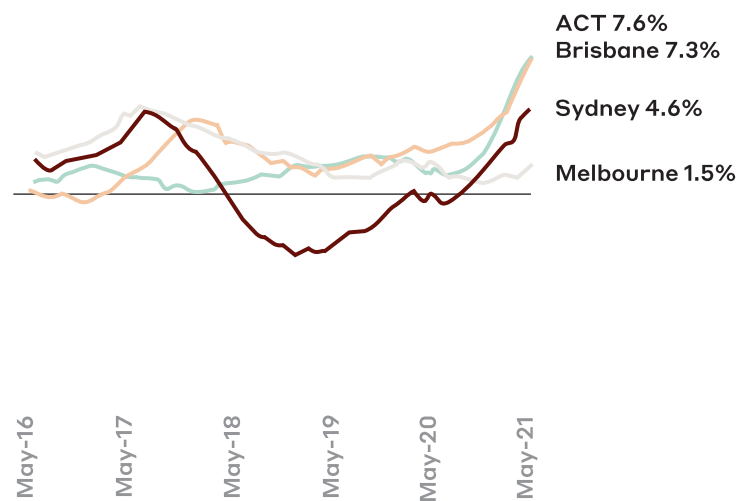
Source : CoreLogic. Note: recent months of sales volumes are modelled estimates by CoreLogic, and are subject to revision.



# GROWTH IN HOUSING RENTS WHILE CHALLENGES REMAIN IN SYDNEY AND MELBOURNE UNIT MARKETS

ANNUAL CHANGE IN RENTS - HOUSES

ANNUAL CHANGE IN RENTS - UNIT



- 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.
- Softness in Sydney unit rents has not had a material impact for our Property Management revenue and divisional contribution.



Source : CoreLogic, Housing Market Trends, June 2021

# INVESTOR PARTICIPATION IN LENDING IS TRENDING UPWARDS BUT REMAINS CONSIDERABLY BELOW DECADE AVERAGE

PORTION OF NEW LENDING FOR INVESTMENT HOUSING (EXCLUDING REFINANCE)



Source : CoreLogic, Monthly Chart Pack, July 2021

- Significant market commentary around sustainability of recent house price growth and investors contribution.
- At 28% Investor lending remains 2/3rds of the 2015 peak which saw APRA intervention.



A modern kitchen interior featuring a large island with a dark, patterned countertop and a wooden base. The island is equipped with a sink and a faucet. Behind the island, there are dark upper and lower cabinets. A large window in the background offers a view of a green landscape. To the right, a black refrigerator and a glass-paned door are visible. The floor is made of light-colored tiles, and a brown leather sofa is partially seen in the bottom left corner. The overall lighting is soft and modern.

# BUSINESS PRIORITIES AND OUTLOOK

04

McGrath



# BUSINESS IMPROVEMENT INITIATIVES AND GROWTH STRATEGIES

## AGENT PRODUCTIVITY

Implementation of growth strategies to improve agent productivity

## DIGITAL

Continued traction from our data centric website and other digital solutions

## PROPERTY MANAGEMENT

Revitalisation of the property management businesses, with a focus on improving the overall customer experience

## ENHANCED PROJECTS DIVISION

Projects division capability and relevance to Developers enhanced with the execution of an alignment agreement with a third-party capital provider

## GROWTH IN MORTGAGE HOME LOANS

Enhanced scale and optimisation of Oxygen Mortgage Home Loan business by partnering with financial services and technology consortium

## INDUSTRY CONSOLIDATION

Industry consolidation opportunities to complement existing businesses

# OUTLOOK

## FUNDAMENTALS OF THE PROPERTY MARKET REMAIN STRONG

- Low interest rates
- Strong bank liquidity

## STRONG BUYER DEMAND TO CONTINUE

- Expected Expats and future migrant demand to increase upon COVID restrictions lifted
- Strong occupier demand also driven by change in lifestyle choices

## SOLID FOUNDATIONS FOR FUTURE GROWTH

- Noting some COVID volatility which may impact transaction volumes until restrictions are lifted
- Despite COVID restrictions, the first 8 weeks of trading in line with our expectations
- Group is well positioned for future growth

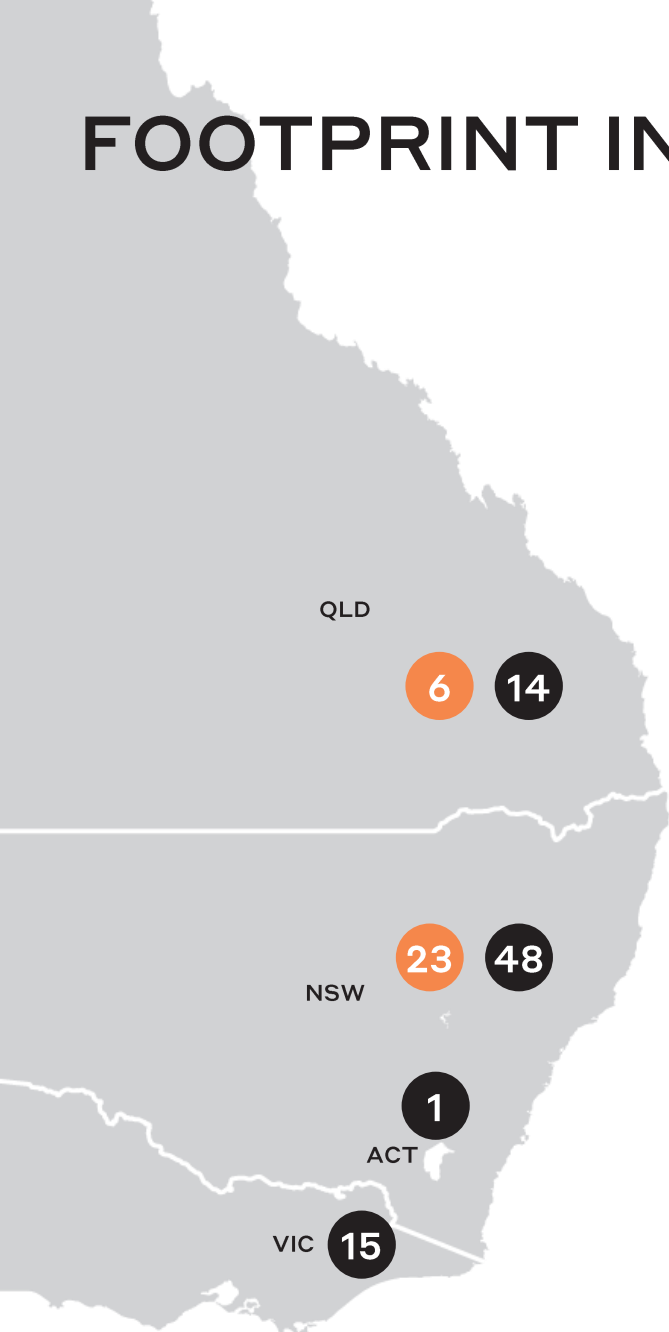
# APPENDIX

05

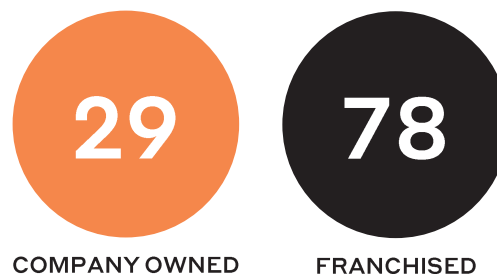
McGrath



# FOOTPRINT IN CORE MARKET



1. As at 30 June 2021



## OFFICE MOVEMENT SINCE JUNE 2020:

### COMPANY OWNED

- + St Ives (Sept-20)
- + Pyrmont (Oct-20)

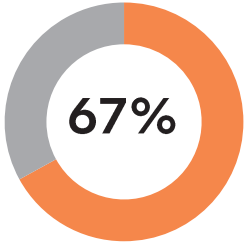
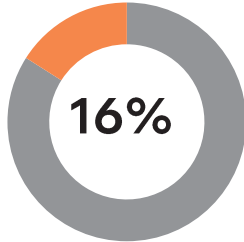
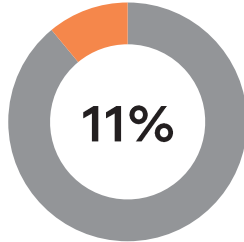
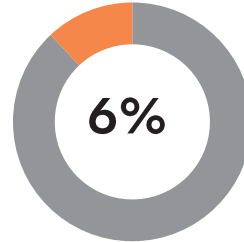
- Parramatta (Jul-20)
- Newtown (Aug-20)
- Blacktown (Mar-21)

### FRANCHISE

- + Parramatta (Jul-20)
- + Cooma (Jul-20)
- + Thirroul (Jul-20)
- + Upper Hunter (Nov-20)
- + Tweed Coast (Dec-20)
- + South Yarra (Feb-21)
- + Blacktown (Mar-21)
- + Lower Blue Mountains (May-21)

- + Camden (May-21)
- + Beerwah (Jun-21)
- + Orange (Jun-21)
- + Molong (Jun-21)
- + Ballan (Jun-21)
- Dickson (Feb-21)
- South Canberra (May-21)

# BUSINESS OVERVIEW BY SEGMENT

	COMPANY OWNED		FRANCHISED SERVICES	OTHERS <sup>3</sup>
	Sales	Property Management		
FY21 Revenue	 <p>67%</p>	 <p>16%</p>	 <p>11%</p>	 <p>6%</p>
FY21 Underlying EBITDA Contribution	<p><b>\$15.5m EBITDA<sup>1</sup></b></p> <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>29 offices</li> <li>162 lead agents</li> <li>4,209 property sales</li> <li>\$7.2 billion value of property sales</li> </ul>	<p><b>\$5.8m EBITDA<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>Generates annuity style revenue through management and leasing fees</li> <li>45 property managers</li> <li>7,748 properties under management (leased)</li> <li>Churn rate of 17%<sup>2</sup></li> </ul>	<p><b>\$8.1m EBITDA<sup>1</sup></b></p> <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>78 offices</li> <li>329 agents</li> <li>10,250 property sales</li> <li>\$9.7 billion value of property sales</li> <li>25,993 properties under management</li> </ul>	<p><b>\$0.5m EBITDA<sup>1</sup></b></p> <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>48 exclusive auctioneers with 6,263 auctions booked</li> </ul>
Overview				

Note: Pie chart represents revenue contribution of segment. Data for 12 months ending 30 June 2021 unless otherwise stated.

1. Pre AASB16, a Non A-IFRS measure. Excludes JobKeeper 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	FY21	FY20	% Change	FY21 (Pre AASB16 and One Off Items) <sup>1</sup>	FY20 (Pre AASB16 and One Off Items) <sup>1</sup>	% Change
<b>Revenue</b>	122.4	<b>91.6</b>	34%	122.4	<b>91.6</b>	34%
Other income	7.5	2.2	243%	–	–	n/a
Cost of sales	(52.1)	(37.8)	38%	(52.1)	(37.8)	38%
<b>Gross Profit</b>	<b>77.7</b>	<b>56.0</b>	39%	<b>70.2</b>	<b>53.8</b>	31%
Share of profit of an associate	0.0	-	n.m	0.0	-	n.m
Employee benefits expenses	(29.9)	(28.4)	5%	(29.9)	(28.4)	5%
Other expenses	(17.0)	(15.7)	8%	(22.7)	(21.7)	5%
<b>EBITDA</b>	<b>30.8</b>	<b>11.8</b>	161%	<b>17.7</b>	<b>3.7</b>	377%
Depreciation and Amortisation	(8.2)	(8.3)	(1%)	(3.7)	(3.8)	(2%)
<b>EBIT</b>	<b>22.6</b>	<b>3.6</b>	n.m	<b>13.9</b>	<b>(0.1)</b>	n.m
Net finance (expense/income)	(1.5)	(1.8)	(13%)	0.1	0.1	n.m
<b>Net Profit/(loss) before tax</b>	<b>21.1</b>	<b>1.8</b>	n.m	<b>14.0</b>	<b>(0.0)</b>	n.m
Income tax expense	(2.1)	(1.1)	n.m	(0.6)	(0.5)	n.m
<b>Net Profit/(loss) after tax</b>	<b>19.0</b>	<b>0.7</b>	n.m	<b>13.5</b>	<b>(0.6)</b>	n.m

<sup>1</sup> Underlying results adjusted for the impact from the Parramatta Gain on Sale, AASB16 leasing standard and JobKeeper benefit. FY20 adjusted for the impact of AASB16 leasing standard. A non A-IFRS measure

n.m = not meaningful

Note: does not add due to rounding differences



# SEGMENT PERFORMANCE

## STATUTORY

## UNDERLYING<sup>1</sup>

\$M	FY21	FY20	% Change	FY21 (Pre AASB16 and One Off Items) <sup>1</sup>	FY20 (Pre AASB16 and One Off Items) <sup>1</sup>	% Change
<b>Revenue</b>						
Co Owned Sales	81.8	58.6	40%	81.8	58.6	40%
Property management	19.9	20.4	(3%)	19.9	20.4	(3%)
Franchise	13.4	7.7	73%	13.4	7.7	73%
Other	7.3	4.9	49%	7.3	4.9	49%
<b>Total Revenue</b>	<b>122.4</b>	<b>91.6</b>	<b>34%</b>	<b>122.4</b>	<b>91.6</b>	<b>34%</b>
<b>EBITDA</b>						
Co Owned Sales	20.4	10.9	86%	15.5	6.2	149%
Property management	7.1	7.5	(5%)	5.8	6.2	(6%)
Franchise	8.3	3.6	128%	8.1	3.5	134%
Other	1.6	0.0	n.m	0.5	(1.3)	n.m.
Corporate	(6.5)	(10.2)	(36%)	(12.3)	(10.8)	13%
<b>Total EBITDA</b>	<b>30.9</b>	<b>11.9</b>	<b>160%</b>	<b>17.7</b>	<b>3.7</b>	<b>376%</b>
<b>EBITDA Margins</b>						
Co Owned Sales				19%	11%	
Property management				29%	30%	
Franchise				61%	45%	
Other				n.m.	n.m.	
<b>Total</b>				<b>14%</b>	<b>4%</b>	

<sup>1</sup> Underlying results adjusted for the impact Parramatta Gain on Sale, AASB16 leasing standard and JobKeeper benefit. FY20 adjusted for the impact of AASB16 leasing standard. A non A-IFRS measure  
n.m = not meaningful

# CASH FLOW

\$M	FY21 (Statutory) (Post ASSB16)	FY21 (Underlying) (Pre ASSB16)^	FY20 (Underlying) (Pre ASSB16)^
<b>EBITDA</b>	<b>30.8</b>	<b>17.7</b>	<b>3.7</b>
Change in net working capital	(4.6)	2.6	12.2
Net interest (paid) / received	(1.6)	0.2	0.1
<b>Net cash flow from operating activities</b>	<b>24.6</b>	<b>20.5</b>	<b>16.1</b>
Proceeds of property, plants and equipment disposals	0.1	0.1	–
Proceeds of intangible Assets disposals	2.0	2.0	–
Purchase of property, plant and equipment	(0.3)	(0.3)	(3.0)
Purchase of intangible Assets	(2.1)	(2.1)	(6.1)
Net loans granted	(0.5)	(0.5)	–
<b>Net cash flow from investing activities</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(9.1)</b>
Payment for lease liabilities	(4.1)	–	–
Payment for treasury shares	(0.4)	(0.4)	–
Dividends paid	(0.8)	(0.8)	–
<b>Net cash flow from financing activities</b>	<b>(5.3)</b>	<b>(1.2)</b>	<b>–</b>
<b>Opening balance</b>	<b>17.3</b>	<b>17.3</b>	<b>10.3</b>
<b>Net cash flow</b>	<b>18.5</b>	<b>18.5</b>	<b>7.0</b>
<b>Closing Balance</b>	<b>35.8</b>	<b>35.8</b>	<b>17.3</b>

# BALANCE SHEET

\$M	JUN 2021 (Statutory) (Post ASSB16)	JUN 2020 (Statutory) (Post ASSB16)	% Change
Cash at Bank	35.8	17.3	107%
Other current assets	22.5	19.9	13%
Total non-current assets	43.3	42.6	2%
<b>Total assets</b>	<b>101.6</b>	<b>79.8</b>	<b>27%</b>
Total current liabilities	31.4	27.2	15%
Total non-current liabilities	22.3	22.4	(0%)
<b>Total liabilities</b>	<b>53.7</b>	<b>49.6</b>	<b>8%</b>
<b>Net assets</b>	<b>47.9</b>	<b>30.2</b>	<b>59%</b>
Assets not on Balance Sheet <sup>1</sup>	36.6	41.1	(11%)
<b>Estimated Net Assets<sup>2</sup></b>	<b>84.5</b>	<b>71.3</b>	<b>19%</b>
<b>Estimated Net Assets (cents per share)<sup>1</sup></b>	<b>50.6c</b>	<b>42.7c</b>	<b>19%</b>

1. Management Valuation calculated on blended valuation multiple of 3.5x on Q4 FY21 Annualised Property management fees (\$48.9m). Only \$12.4m of this value is held on the Balance Sheet.

2. This is a non A-IFRS measure



# McGRATH CONTACTS ASSOCIATED WITH THIS PRESENTATION



## **EDDIE LAW**

CHIEF EXECUTIVE OFFICER

## **HOWARD HERMAN**

CHIEF FINANCIAL OFFICER

## **TERRI SISSIAN**

COMMUNICATIONS DIRECTOR

## **INVESTOR CENTRE CONTACT DETAILS**

[+61 2 9386 3333](tel:+61293863333)

[INVESTORCENTRE@McGRATH.COM.AU](mailto:INVESTORCENTRE@McGRATH.COM.AU)

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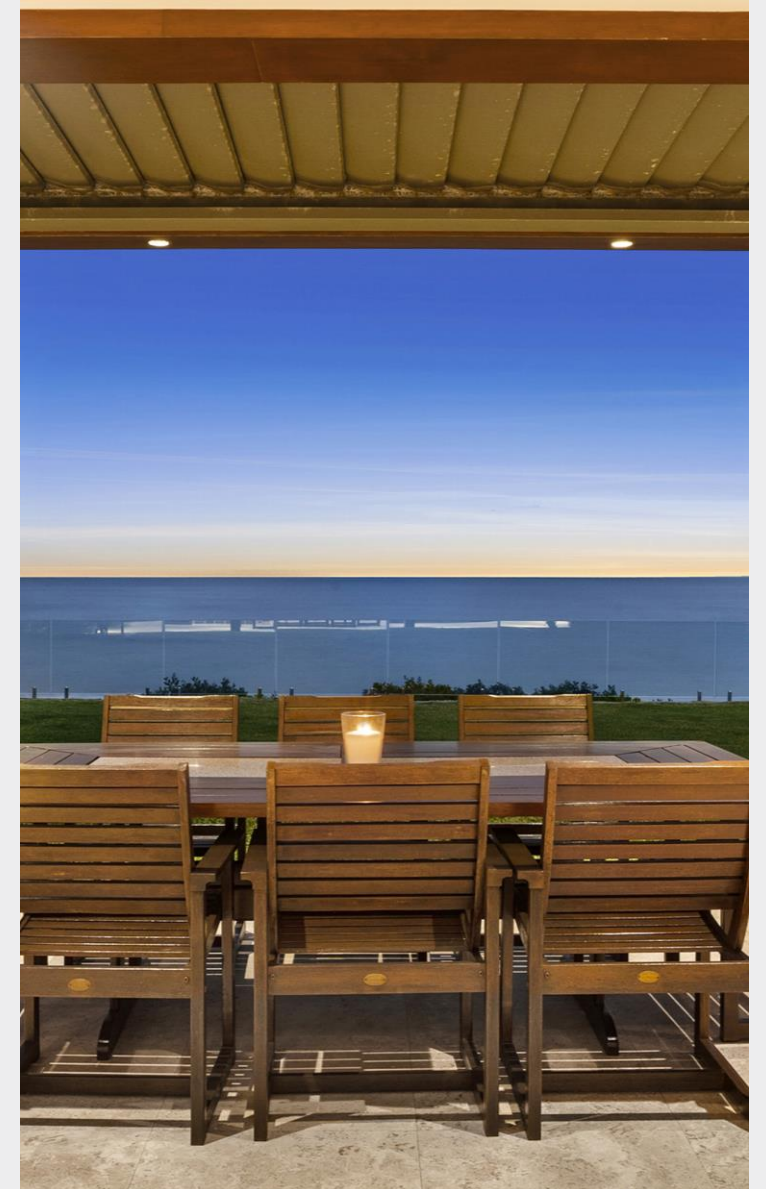
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**McGrath**