

### McGrath Trading Update

20 October 2022 - McGrath Limited (ASX : MEA ) (**McGrath** or the **Company**) provides the following trading update for the first half of the 2023 financial year ending 31 December 2022.

McGrath advised in its annual results announcement on 22 August 2022, that property market headwinds experienced in the second half of FY22 were continuing into FY23, with McGrath's first half earnings likely to be materially lower than the previous corresponding period.

Interest rate increases since August 2022 means that these challenging market conditions have continued, with recent listings data indicating the flow of new listings are tracking lower than previous periods (approximately 15 per cent<sup>1</sup> below the previous five years' average) and are coupled with lower residential average selling prices. The Company's business model is also being transformed to be predominantly franchise, as announced at the time of the release of FY22 annual results.

The earnings outlook is therefore volatile and difficult to forecast, however the Underlying EBITDA<sup>2</sup> will be at least 50 per cent lower in the first half of FY23 compared to the prior corresponding period. With a strong focus on costs and growth of our Franchise footprint, the Company will remain profitable for the first half of FY23.

Managing Director and CEO, Mr John McGrath, said "The property market is taking a widely expected and much needed breather after a rapid growth over the last three years.

"Based on the latest listing data, it certainly appears that there has been a late start to the Spring selling season and there is still some uncertainty as to whether we will see a late surge of activity as we have seen in prior years.

"However, there are green shoots appearing despite the difficult market conditions, with sellers now more prepared to meet the market.

"While our earnings will be impacted by the broader market and economic conditions, we are executing on our new business strategies.

"We are gaining market share in selected, key markets through a combination of our well-established brand, quality agents and a growing number of franchise partners across the East Coast", he added.

McGrath continues to be in a strong financial position, with currently approx.\$30 million in cash and no debt. This cash balance is after investment and capital management initiatives in the half to date including the 30% acquisition stake of its Central Coast Franchise, the FY22 final dividend and current on market share buyback.

The Company plans to continue with its on-market share buyback program and take advantage of acquisition opportunities in the coming months.

Mr McGrath concluded, "Our solid financial position will allow us to withstand the short-term market volatility and provide opportunities to capitalise on opportunities to grow our earnings and increase shareholder value, while we expect market conditions to improve over the remainder of the financial year to June 2023".

McGrath's Annual General Meeting is scheduled for 22 November 2022, at which point the Company will provide further updates on trading and business growth strategies.

- Ends -

Authorised for release by McGrath Board of Directors

<sup>1</sup> Core logic report 29 September 22

<sup>2</sup> Pre-adoption of new AASB 16 Leasing standard and not including gain on sale of business

For further information, please contact:

**Investors**

Howard Herman CFO  
02 9386 3333

**Media**

Terri Sissian  
0419 881 414  
Tim Allerton  
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 112 offices located throughout the East Coast of Australia. For further information, please visit [www.mcgrath.com.au](http://www.mcgrath.com.au).