

### McGRATH POSTS HALF-YEAR PROFIT DESPITE CHALLENGING MARKET CONDITIONS

20 February 2023 - McGrath Limited (ASX: MEA) (“**McGrath**” or the “**Company**”) today announced its first half results for the 2023 financial year, in line with the trading update provided in October 2022.

#### Results summary

- Underlying EBIT of \$2.3 million (Underlying EBITDA \$3.4<sup>1</sup> million)
- Strong balance sheet, with \$25 million cash and no debt
- Statutory Net Profit after tax of \$1.8 million
- Interim Dividend: 1.0c per share fully franked dividend declared
- Continuation of on-market Share Buy-Back program

McGrath advised at its trading update on 20 October 2022, that the residential property market would experience challenging market conditions in the first half of FY23 as successive interest rate rises would lead to further declines in housing prices and listing volumes.

Notwithstanding these challenging conditions, McGrath announced Underlying EBIT of \$2.3 million (Underlying EBITDA of \$3.4<sup>1</sup> million) and Statutory Net Profit after tax of \$1.8 million, which is consistent with the October trading update.

Managing Director and CEO, Mr John McGrath, said “As expected, the market is taking a much-needed breather after a rapid growth over the last three years. Selling prices in most markets have corrected by between 10 per cent and 15 per cent from their peak in late 2021 and selling volumes were at least 20 per cent lower in the Spring selling season, compared with the corresponding Spring season in 2021.

“Our range of initiatives during the half year, including a further 10 per cent reduction in our operating costs and the opening of 7 new franchise offices, enabled the company to remain profitable for this period.

“We are also showing strong momentum in the delivery of our key strategies we announced last year. Growing our office footprint with new franchise partners where we envisage opening at least 10 further franchise offices in H2 FY23, attracting new talent, transition of selected company owned office to franchise ownership and expanding our service offering to our customers,” added Mr McGrath.

---

<sup>1</sup> Pre-adoption of new AASB 16 Leasing standard and not including gain on sale of business

The transition to a predominantly franchise model is delivering a more reliable income from franchisees based on a fixed percentage of total sales commissions as well ongoing marketing fund contributions.

McGrath continues to be in a strong financial position, with currently approximately \$25 million in cash and no debt. This cash balance is after the acquisition of a 30 per cent stake in our Central Coast franchise, the FY22 final dividend, the current on market share buyback and tax payments relating to FY22.

The company has declared a 1.0c per share, fully franked interim dividend, payable on 14 March 2023 and plans to continue with our on- market share buyback program, where \$3.2 million has been acquired to date out of our target of \$5 million. In addition, the Company will also consider further capital management opportunities as we receive additional proceeds from the sale of some of the company owned offices and property management rent rolls.

Mr McGrath concluded, “Our solid financial position will allow us to withstand further short-term market volatility and position us well to capitalise on industry consolidation opportunities to grow our earnings and increase shareholder value.

“While the economic climate and impact of further interest rate rises is difficult to predict, we think we are either at or approaching the bottom of this property cycle. Our view is the next stage of the market will be a consolidation, featuring a plateauing of prices, followed by further upward growth in property values in 2024.

“The luxury residential market, where McGrath agents currently have a strong presence, has withstood the recent market headwinds better than any other market sector. A combination of less reliance on borrowings and a supply of high net worth buyers far outweighing available listings has ensured strong prices throughout 2022 and will extend through 2023.

“I anticipate the return of expats to continue, as political and economic challenges exist in many regions of the northern hemisphere.

“Looking ahead, we are targeting to remain profitable for the second half of FY23, however these profits will again be impacted by the market when compared with H2 last year but should be consistent with the trends evident in the first half of FY23. We expect conditions to improve as the calendar year progresses and we will provide further updates when there is more certainty on our full year earnings”, he concluded.

- Ends -

Authorised for release by McGrath Board of Directors

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) is one of Australia's most successful integrated real estate services business, offering agency sales, property management, mortgage broking and career training services. McGrath Estate Agents currently has offices located throughout the East Coast of Australia. For further information, please visit [www.mcgrath.com.au](http://www.mcgrath.com.au)