

MCGRATH LIMITED (ASX: MEA)

INVESTOR PRESENTATION FOR HALF YEAR RESULTS ENDED 31 DECEMBER 2022

JOHN MCGRATH | MANAGING DIRECTOR & CEO
HOWARD HERMAN | CFO
20 FEBRUARY 2023



FINANCIAL RESULTS



MCGRATH REMAINS PROFITABLE IN CHALLENGING MARKET CONDITIONS, WITH A STRONG BALANCE SHEET AND CONSISTENT DIVIDENDS



**UNDERLYING
REVENUE**

Down \$16.7M
on H1 FY22.



**UNDERLYING
EBITDA ¹**

Within range of
guidance



**UNDERLYING
EBIT ¹**

New reporting metric



**STATUTORY
NET PROFIT AFTER
TAX**



CASH

Zero Debt
Strong Balance
Sheet



DIVIDEND

1.0c Interim Dividend
has been declared
payable in March 2023

1. Underlying results adjusted for the impact of gain on sales. EBITDA is presented pre AASB 16 leases.

SUMMARY FINANCIAL RESULTS

UNDERLYING RESULTS FOR H1 FY23 WERE PROFITABLE IN CHALLENGING MARKET CONDITIONS



\$42.7M
REVENUE



\$3.4M
UNDERLYING EBITDA¹



\$2.3M
UNDERLYING EBIT



10%
LOWER OPEX

	STATUTORY			UNDERLYING		
	H1 FY23	H2 FY22	CHANGE	H1 FY23 ²	H1 FY22 ²	CHANGE
\$M						
REVENUE	42.7	59.4	(16.7)	42.7	59.4	(16.7)
EBIT	3.2	10.1	(6.9)	2.3	9.6	(7.3)
NET PROFIT AFTER TAX	1.8	6.9	(5.1)	1.1	6.6	(5.5)
EBITDA				6.3	13.6	(7.3)
Lease Expenses				(2.9)	(3.0)	0.1
EBITDA Pre AASB 16 (Lease Impact)				3.4	10.6	(7.2)

1. Presented pre AASB 16 leases.

2. Underlying results adjusted for the impact of gain on sales.

KEY INDICATORS

INCREASE IN FUTURE GROWTH INDICATORS, INCLUDING AGENT AND OFFICE GROWTH, WHILST VOLUMES AND AVERAGE SELLING PRICE LOWER

KEY INDICATORS	H1 FY23	H1 FY22	% CHANGE
NUMBER OF AGENTS ¹	615 ²	584 ³	5.3%
NUMBER OF OFFICES	115 ¹	108 ²	6.5%
NO. OF PROPERTIES SOLD	5,569	7,797	(28.6%)
NETWORK AVERAGE SELLING PRICE (\$M)	1.30	1.38	(5.8%)
COMPANY OWNED PROPERTIES UNDER MANAGEMENT	7,855	7,960	(1.3%)

- Increase in number of agents
- Increase in number of McGrath network offices, reflecting strong focus on franchise office growth strategy
- Decline in number of properties sold, in line with challenging market conditions
- Decline in average selling price, reflecting market conditions.
- Company owned properties under management maintained

1. Listing and selling agents

2. Current period as at Dec-22.

3. Prior period balance as at Jun-22

KEY SEGMENT RESULTS

CHANGE IN BUSINESS MODEL TO PREDOMINANTLY FRANCHISE, LEADING TO A GREATER SHARE OF STABLE FRANCHISE REVENUES & EARNINGS.

OTHER KEY BUSINESS SEGMENTS PROFITABLE



FRANCHISE

Greater proportion of stable franchise earnings in H1 FY23 as 3 offices transitioned from Company Owned to Franchise, and an additional net 7 offices were opened.



COMPANY OWNED SALES

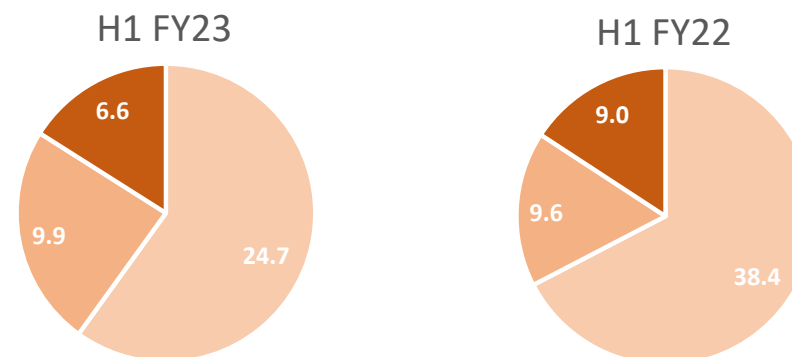
Decrease in EBIT driven by a reduction in the number of properties exchanged during the year and a decrease in average selling price. Decrease in % share of Revenue and EBIT as 3 offices transitioned from Company Owned to Franchise.



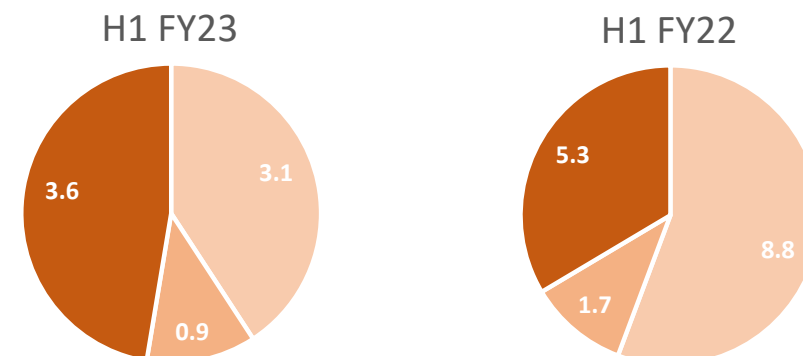
COMPANY OWNED PROPERTY MANAGEMENT

Increases in revenue driven by higher weekly rents. EBIT is down on prior year which is mainly driven by lost managements on previously acquired rent roll.

REVENUE¹



UNDERLYING EBIT^{1,2}



1. Excludes other segments and unallocated corporate costs.

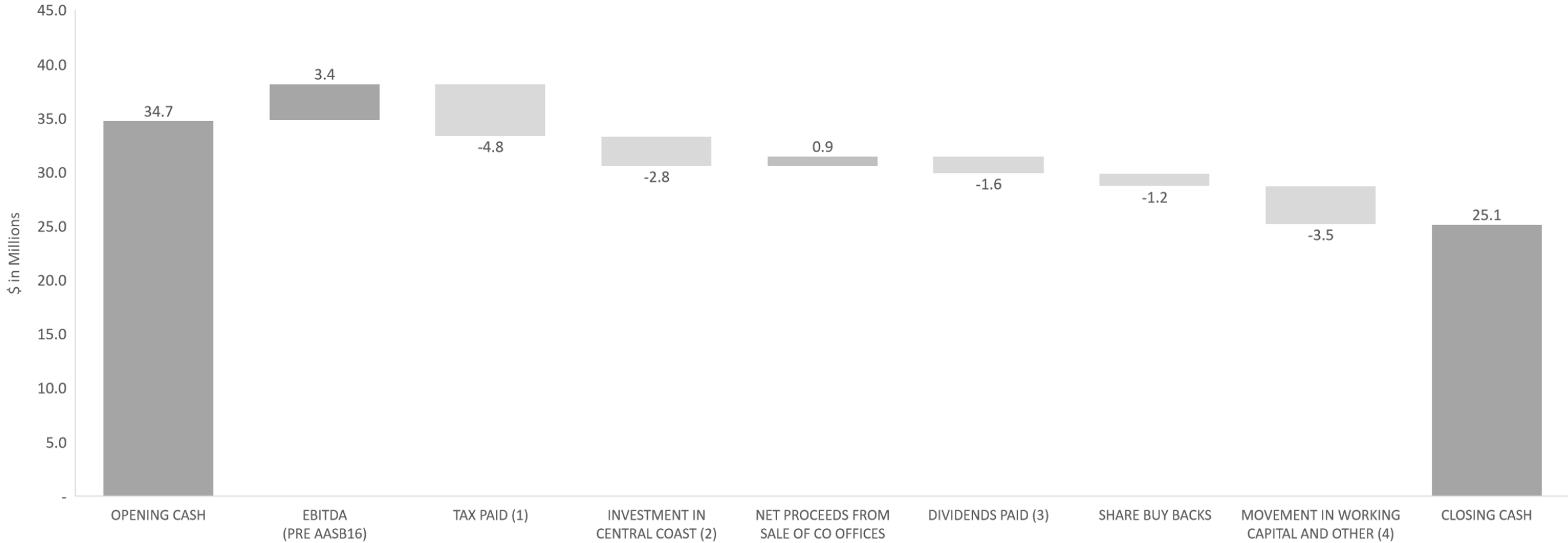
2. Underlying results adjusted for the impact of gain on sales

CASH FLOW, BALANCE SHEET AND CAPITAL MANAGEMENT



CASH FLOW

STRONG FINANCIAL POSITION FUNDING INVESTMENTS AND SHAREHOLDER DIVIDENDS/BUYBACKS



1. FY22 liability and FY23 provisional payments

2. Initial cash component out of total investment of \$6.5m

3. Final dividend for FY22 of 1.0 cent per share franked at 100% paid 20 September 2022

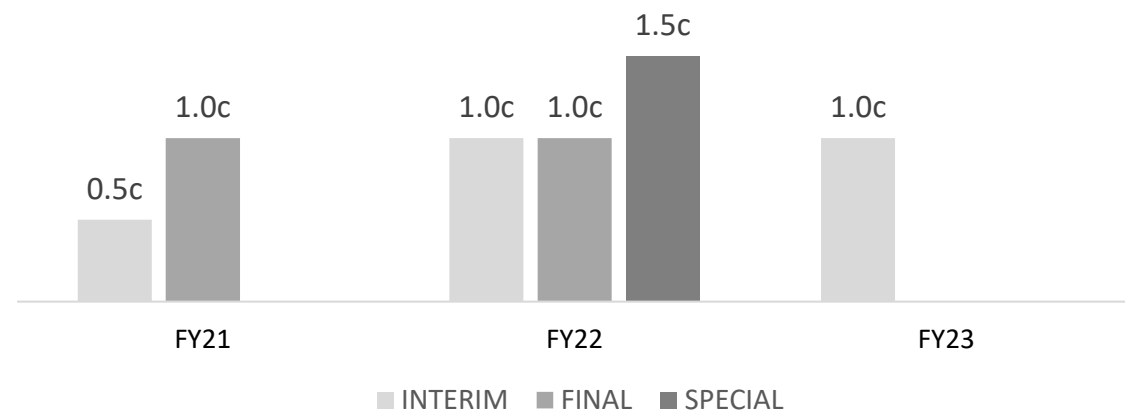
4. Lower levels of activity

STRONG BALANCE SHEET WITH \$25.1M IN CASH AND \$88.1M IN ESTIMATED NET ASSETS

\$M	December 2022	June 2022	CHANGE
CASH AT BANK	25.1	34.7	(9.6)
STATUTORY NET ASSETS	50.1	49.6	0.5
ASSETS NOT ON BALANCE SHEET ¹	38.0	37.0	1.0
ESTIMATED NET ASSETS ²	88.1	86.6	1.5
ESTIMATED NET ASSETS (CENTS PER SHARE) ²	54.3c	53.4c	0.9

**CONSISTENT DIVIDENDS, WITH A 1.0C INTERIM DIVIDEND PAYABLE IN MARCH 2023.
SHARE BUY BACKS TO CONTINUE. FURTHER CAPITAL MANAGEMENT INITIATIVES AS
SALE OF COMPANY OWNED OFFICES AND RENT ROLLS PROGRESS**

DIVIDENDS PAID



ORDINARY DIVIDEND

- A 1.0c cent fully franked FY23 interim dividend has been declared payable in Mar-23

SHARE BUY BACKS

- Represents best investment at current share price levels
- \$3.2m acquired to date – Target of \$5.0m

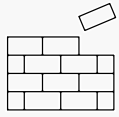
FURTHER CAPITAL MANAGEMENT INITIATIVES

- Change in business model to predominantly Franchise
- Further capital management initiatives, as sale of selected Company Owned offices and rent rolls progress

STRATEGIES & OUTLOOK



STRONG MOMENTUM ON DELIVERY OF KEY STRATEGIES



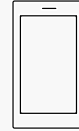
RAPID SCALE

Additional 125 high quality new offices over next 4 years.



TALENT

Attraction & retention of best talent in the country, through transition to a predominantly franchise model.



TECHNOLOGY

Implementation of Agent App Platform.



ADJACENCIES

Provide customers seamless end to end experience for all their property needs. Additional revenue streams.



SELECT INVESTMENTS

Identify strategic investments & services that enhance our customer experience & build revenue.

ONE

TWO

THREE

FOUR

FIVE

H1 HIGHLIGHTS

+7

new franchise offices with a strong future pipeline

+3

company owned offices sold to franchise partners with further sales planned for H2

+80%

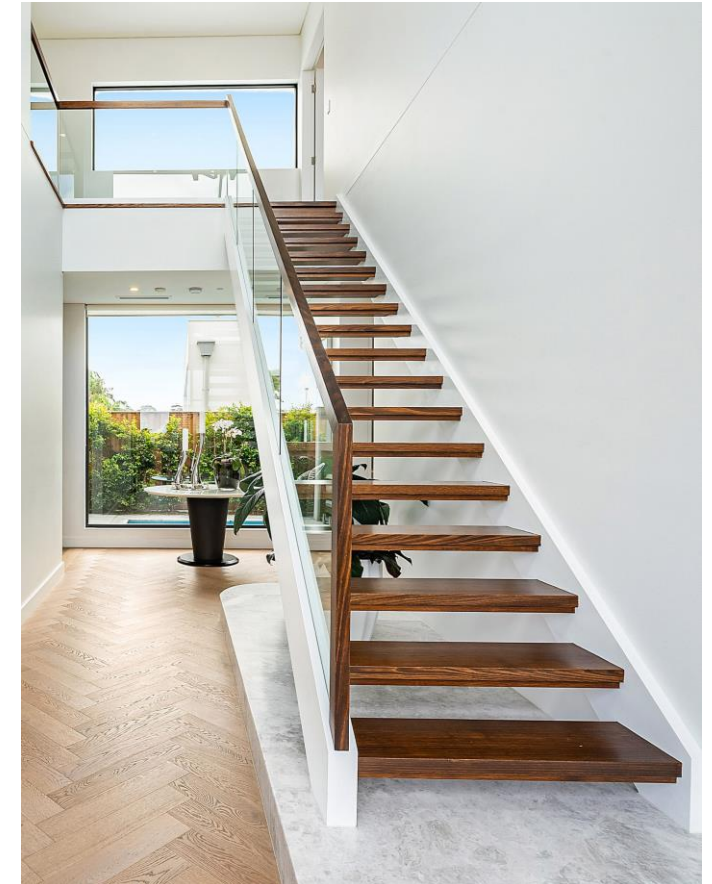
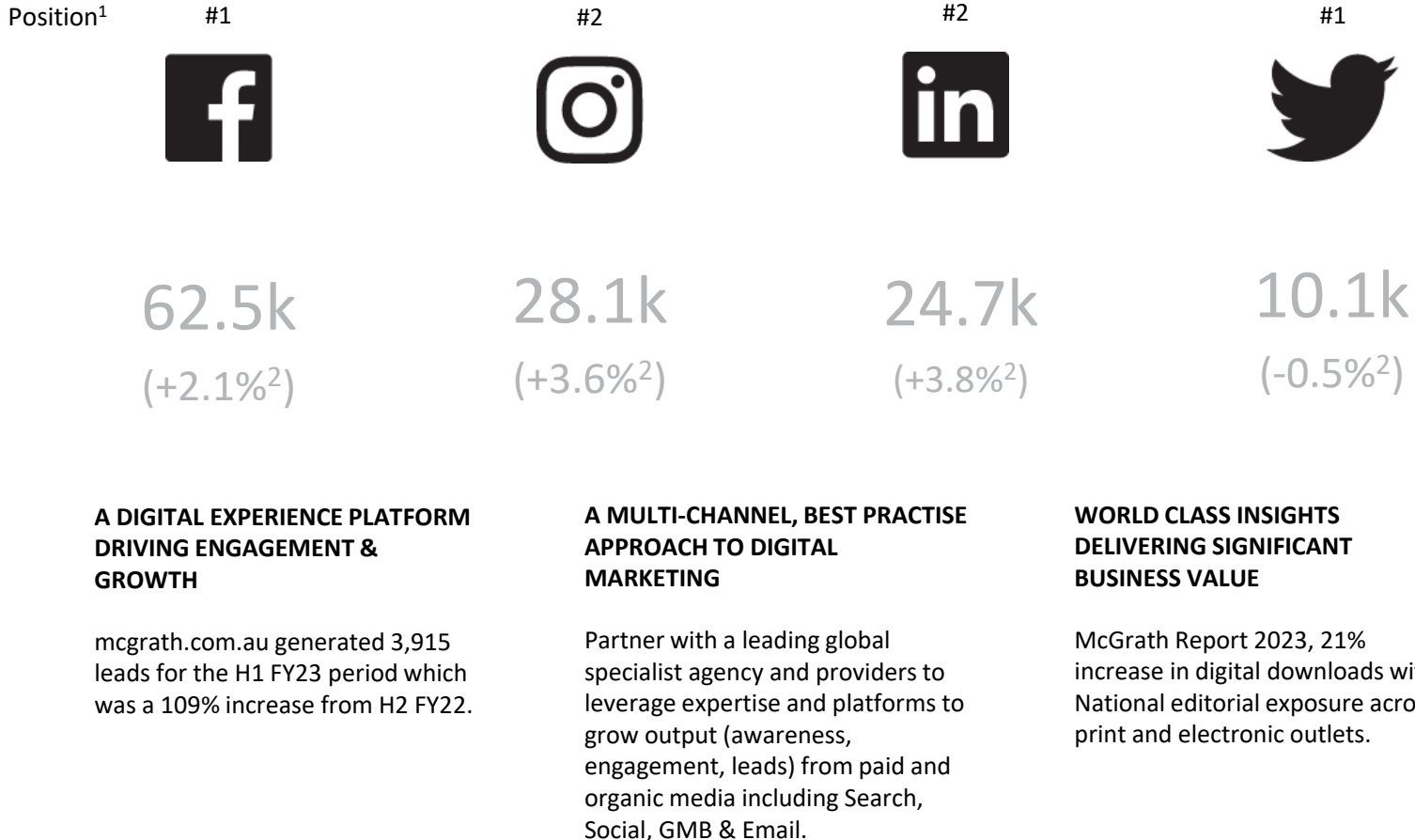
manual Agent activity planned removal through Agent App

Oxygen Home Loans and Honey Insurance providing additional customer services

+1

30 % equity stake in top performing Central Coast Franchise

MAINTAINING MARKET LEADING SOCIAL MEDIA POSITION

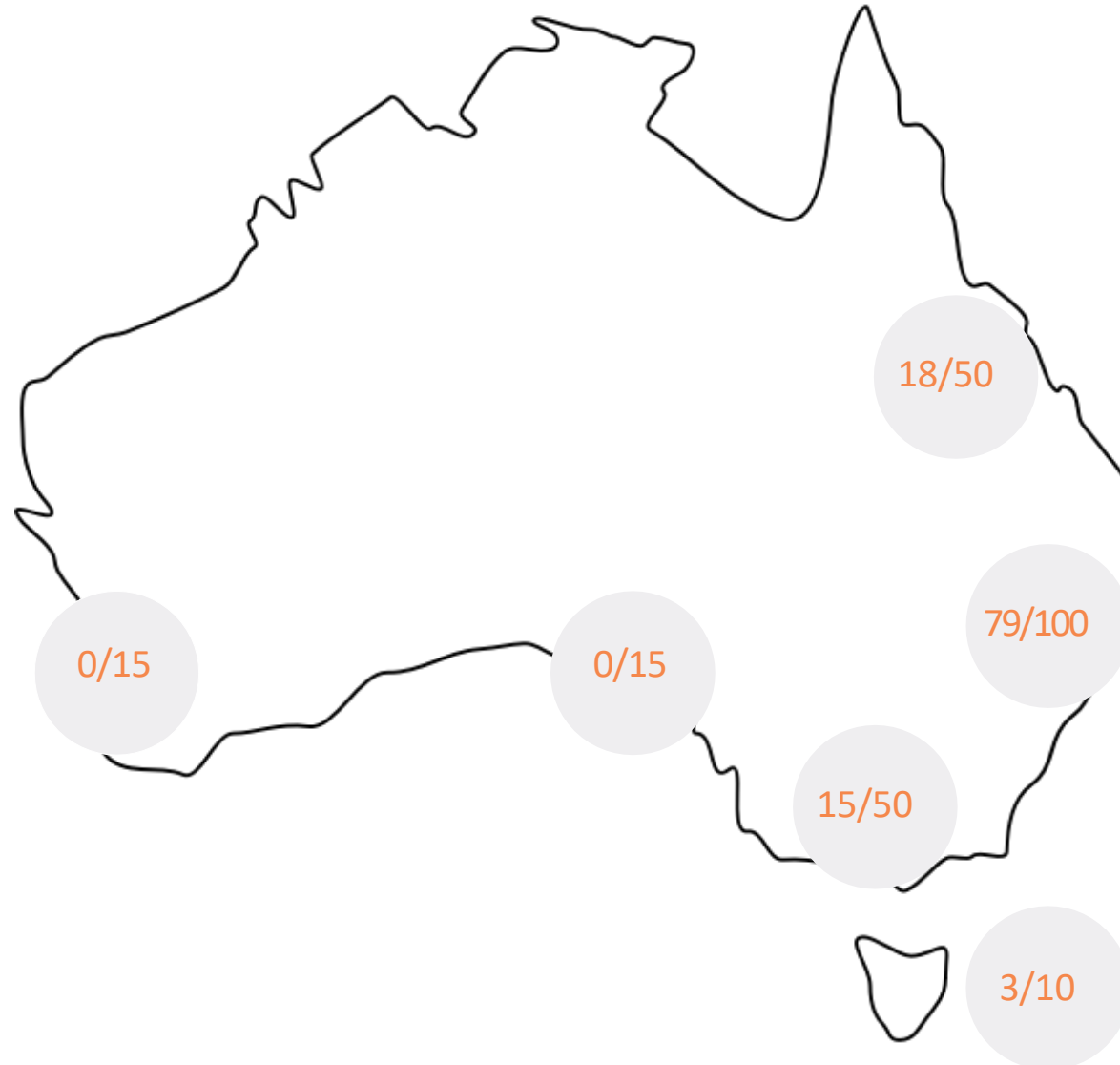


1. Current position (Dec-22) amongst Australian Real Estate Brand Accounts in terms of followers
2. Growth on Jun-22 number of followers

OFFICE EXPANSION TARGETING NATIONAL PRESENCE

Current/Planned

115/240



OUTLOOK

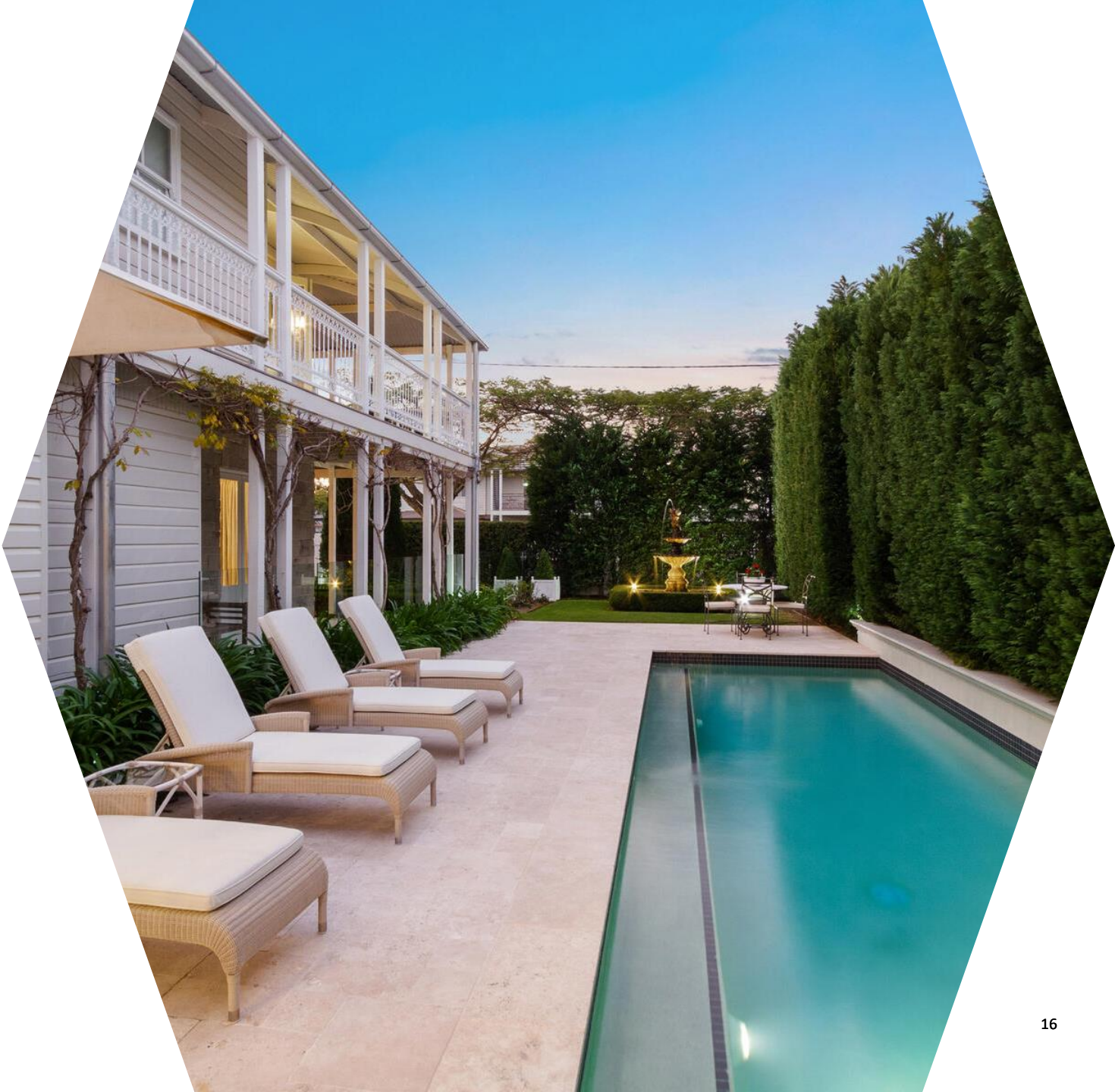
MARKET

- Economic climate and impact of further interest rate rises is difficult to predict.
- Possibly, 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.

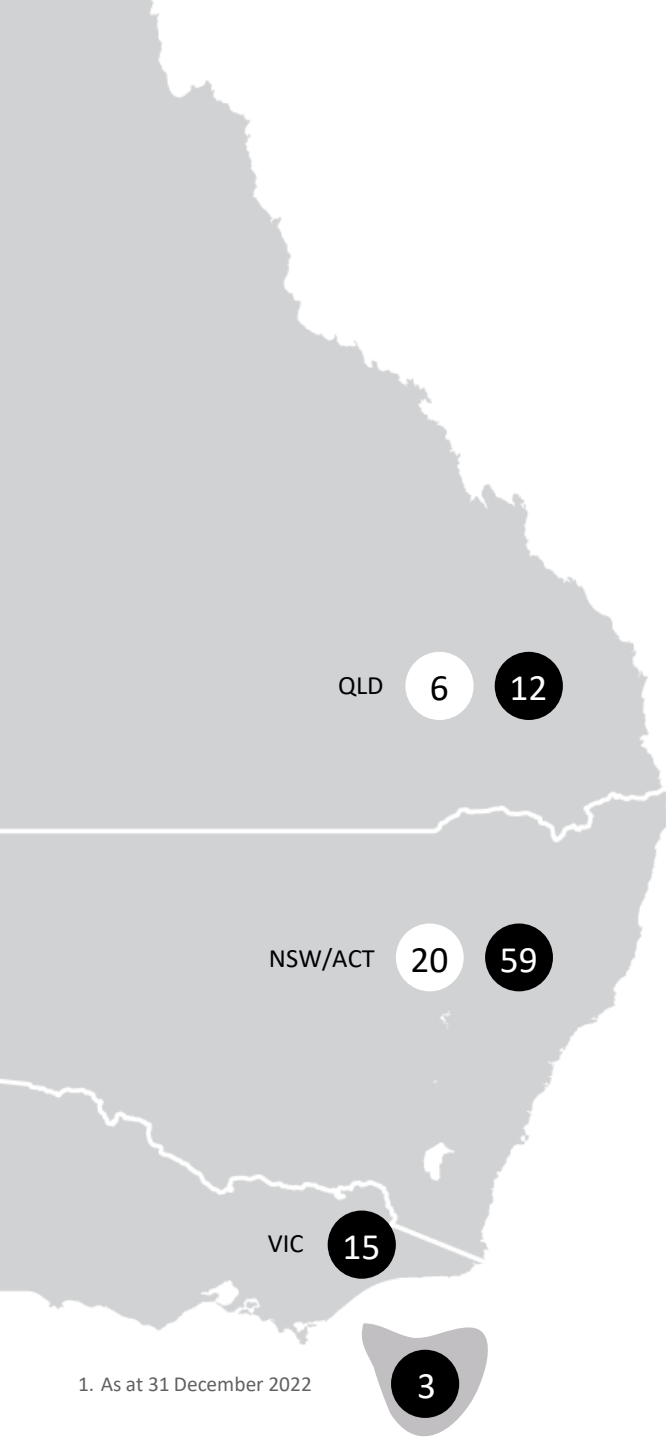
H2 OUTLOOK

- Targeting to remain profitable for second half of FY23, however profits will again be impacted by the market when compared with H2 last year, but should be consistent with trends evident in the H1 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

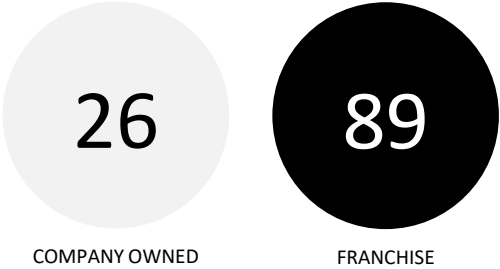
APPENDIX



FOOTPRINT IN CORE MARKET



OFFICE MOVEMENT SINCE JUNE 2022:



COMPANY OWNED (-3)

- Ryde (Transfer)
- Hunters Hill (Transfer)
- Wahroonga (Transfer)

FRANCHISE (+10)

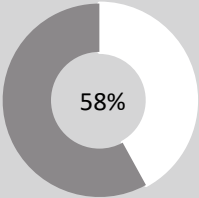
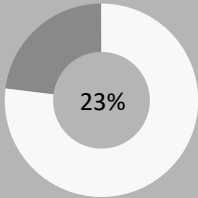
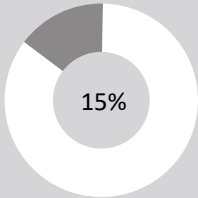
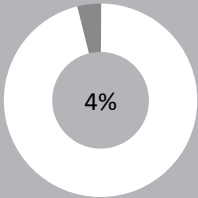
- + Bundaberg
- + Bargara
- + Jindabyne
- + Nowra
- + Aspley
- + Oatley
- + Devonport
- + Beverly Hills
- + Port Stephens
- + Batesman Bay

- + Ryde (Transfer)
- + Hunters Hill (Transfer)
- + Wahroonga (Transfer)
- Annerley/Yeronga
- North Canberra
- Rockhampton

1. As at 31 December 2022

BUSINESS OVERVIEW BY SEGMENT

COMPANY OWNED

	SALES	PROPERTY MANAGEMENT	FRANCHISED SERVICES	OTHERS
H1 FY23 UNDERLYING REVENUE PROPORTION				
H1 FY23 UNDERLYING EBIT CONTRIBUTION	\$3.1M EBIT	\$0.9M EBIT	\$3.6M EBIT	\$(0.3M) EBIT ¹
OVERVIEW	<ul style="list-style-type: none"> Generates revenue by charging the vendors of residential property a commission for successfully selling a property 26 offices² 148 agents (ex Projects)² 1,362 property sales \$2.4 billion value of property sales 	<ul style="list-style-type: none"> Generates annuity style revenue through management and leasing fees 38 property managers² 7,855 properties under management (leased)² Annualised churn rate of 18% 	<ul style="list-style-type: none"> Generates revenue from franchise fees on commission earned from successfully sold property and property management income 89 offices² 467 agents² 4,207 property sales \$4.8 billion value of property sales 	<ul style="list-style-type: none"> 44% investment in Oxygen Home Loans, a Mortgage broking generating up front commissions and trailing revenue from each loan TRET organises and operates a number of industry leading residential real estate conferences in Australia 49 exclusive auctioneers with 2,303 auctions booked

PROFIT & LOSS

	STATUTORY			UNDERLYING			
	\$M	H1 FY23	H1 FY22	CHANGE	H1 FY23 (PRE ONE OFF ITEMS) ¹	H1 FY22 (PRE ONE OFF ITEMS) ¹	CHANGE
REVENUE		42.7	59.4	(28%)	42.7	59.4	(28%)
COST OF SALES		(16.5)	(23.2)	(29%)	(16.5)	(23.2)	(29%)
GROSS PROFIT		26.2	36.1	(27%)	26.2	36.1	(27%)
OTHER INCOME		1.2	0.5	n.m.	0.3	-	n.m.
SHARE OF PROFIT OF AN ASSOCIATE		0.3	0.1	n.m.	0.3	0.1	n.m.
EMPLOYEE BENEFITS EXPENSES		(13.1)	(14.4)	(9%)	(13.1)	(14.4)	(9%)
OTHER EXPENSES		(7.3)	(8.2)	(11%)	(7.3)	(8.2)	(11%)
EBITDA		7.3	14.0	(48%)	6.3	13.6	(54%)
DEPRECIATION AND AMORTISATION		(4.1)	(4.0)	2%	(4.1)	(4.0)	2%
EBIT		3.2	10.1	(68%)	2.3	9.6	(76%)
NET FINANCE (EXPENSE/INCOME)		(0.2)	(0.6)	(67%)	(0.2)	(0.6)	(67%)
NET PROFIT BEFORE TAX		3.0	9.5	(68%)	2.0	9.0	(78%)
INCOME TAX EXPENSE		(1.2)	(2.6)	(54%)	(0.9)	(2.4)	(63%)
NET PROFIT AFTER TAX		1.8	6.9	(74%)	1.1	6.6	(83%)
EBITDA					6.3	13.6	(7.3)
Lease Expenses					(2.9)	(3.0)	0.1
EBITDA Pre AASB 16 (Lease Impact)					3.4	10.6	(7.2)

1. Underlying results adjusted for the impact of gain on sales.

n.m. = not meaningful. Note: does not add through due to rounding differences

SEGMENT PERFORMANCE

	STATUTORY			UNDERLYING			
	\$M	H1 FY23	H1 FY22	CHANGE	H1 FY23 (PRE ONE OFF ITEMS) ¹	H1 FY22 (PRE ONE OFF ITEMS) ¹	CHANGE
REVENUE							
COMPANY OWNED SALES		24.7	38.4	(36%)	24.7	38.4	(36%)
PROPERTY MANAGEMENT		9.9	9.6	3%	9.9	9.6	3%
FRANCHISE		6.6	9.0	(26%)	6.6	9.0	(26%)
OTHER		1.5	2.4	(35%)	1.5	2.4	(35%)
TOTAL REVENUE		42.7	59.4	(28%)	42.7	59.4	(28%)
EBIT							
COMPANY OWNED SALES		3.1	8.8	(65%)	3.1	8.8	(65%)
PROPERTY MANAGEMENT		0.9	1.7	(49%)	0.9	1.7	(49%)
FRANCHISE		3.6	5.3	(31%)	3.6	5.3	(31%)
OTHER		-0.3	-0.1	n.m	-0.3	-0.1	n.m
CORPORATE		-4.1	-5.6	(28%)	-5.0	-6.1	(17%)
TOTAL EBIT		3.2	10.1	(68%)	2.3	9.6	(76%)
EBIT MARGINS					5%	16%	(11ppt)
COMPANY OWNED SALES					13%	23%	(10ppt)
PROPERTY MANAGEMENT					9%	18%	(9ppt)
FRANCHISE					55%	59%	(4ppt)
OTHER					n.m.	n.m.	
TOTAL EBIT MARGIN					5%	16%	(11ppt)

1. Underlying results adjusted for the impact of gain on sales.
n.m. = not meaningful. Note: does not add through due to rounding differences

APPENDIX

CASH FLOW

\$M	1H FY23 (Statutory)	1H FY22 (Statutory)
EBITDA	7.3	14.0
CHANGE IN NET WORKING CAPITAL	(4.3)	0.7
NET INTEREST (PAID) / RECEIVED	(0.2)	(0.6)
INCOME TAXES PAID	(4.8)	-
NET CASH FLOW FROM OPERATING ACTIVITIES	(2.1)	14.2
PROCEEDS OF HELD FOR SALE ASSET DISPOSALS	1.0	-
PROCEEDS OF PROPERTY, PLANT AND EQUIPMENT DISPOSALS	0.1	-
PROCEEDS OF INTANGIBLE ASSETS DISPOSALS	-	0.5
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT	(0.1)	(0.4)
PURCHASE OF INTANGIBLE ASSETS	(0.6)	(2.2)
PURCHASE OF INVESTMENT IN ASSOCIATE	(2.8)	-
DIVIDENDS RECEIVED	0.2	-
NET LOANS GRANTED	-	(0.1)
NET CASH FLOW FROM INVESTING ACTIVITIES	(2.2)	(2.1)
PAYMENT FOR LEASE LIABILITIES	(2.6)	(2.4)
PAYMENT FOR TREASURY SHARES	-	(2.4)
PAYMENT FOR SHARE BUY-BACK	(1.2)	-
DIVIDENDS PAID	(1.6)	(1.7)
NET CASH FLOW FROM FINANCING ACTIVITIES	(5.3)	(6.5)
OPENING BALANCE	34.7	35.8
NET CASH FLOW	(9.6)	5.5
CLOSING BALANCE	25.1	41.3

Note: does not add through due to rounding differences

APPENDIX

BALANCE SHEET

\$M	DECEMBER 2022	JUNE 2022	% CHANGE
CASH AT BANK	25.1	34.7	(28%)
OTHER CURRENT ASSETS	20.2	16.8	20%
TOTAL NON-CURRENT ASSETS	41.2	41.5	(1%)
TOTAL ASSETS	86.5	93.0	(7%)
TOTAL CURRENT LIABILITIES	23.4	28.5	(18%)
TOTAL NON-CURRENT LIABILITIES	13.0	14.9	(13%)
TOTAL LIABILITIES	36.4	43.4	(16%)
NET ASSETS	50.1	49.6	1%
ASSETS NOT ON BALANCE SHEET ¹	38.0	37.0	3%
ESTIMATED NET ASSETS²	88.1	86.6	2%
ESTIMATED NET ASSETS (CENTS PER SHARE)²	54.3	53.4	2%



MCGRATH CONTACTS ASSOCIATED WITH THIS PRESENTATION

JOHN MCGRATH | MANAGING DIRECTOR & CHIEF
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HOWARD HERMAN | CHIEF FINANCIAL OFFICER

TERRI SISSIAN | COMMUNICATIONS DIRECTOR

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The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all information which a prospective investor may require in evaluating a possible investment in the Company or that would be required in a prospectus, product disclosure statement or other disclosure document prepared in accordance with the requirements of the Corporations Act 2001 (Cth). This Presentation should be read in conjunction with the Company's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange and in particular the Company's latest half year results for the half year ended 31 December 2022, copies of which are available at <https://investor.mcgrath.com.au/Investor-Centre/>. It is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs. The material contained in this Presentation may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

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All amounts are in Australian dollars unless otherwise indicated.

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Forward-looking statements are statements about matters that are not historical facts. Forward looking statements appear in a number of places in this Presentation and include statements regarding the McGrath Group's intent, belief or current expectations with respect to business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions, financial support to certain borrowers, indicative drivers, forecasted economic indicators and performance metric outcomes.

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