



McGRATH LIMITED (ASX: MEA)

INVESTOR DECK FY23

JOHN McGRATH
MANAGING DIRECTOR & CEO

HOWARD HERMAN
CFO

21 AUGUST 2023

01

FINANCIAL RESULTS



KEY MESSAGES

McGrath strong full year profit despite tough market, with a strong balance sheet, ordinary and special dividends declared

\$82.5M

REVENUE

\$6.2M

STATUTORY
NET PROFIT
AFTER TAX

18

NET NEW
FRANCHISE
OFFICES

\$27.1M

CASH

Zero Debt
Strong Balance
Sheet





4.5C

DIVIDENDS

1.0c Interim Dividend
1.0c Final Dividend
2.5c Special Dividend

SUMMARY FINANCIAL RESULTS

Underlying and statutory results for the full financial year are profitable

	STATUTORY			UNDERLYING				
\$M	FY23	FY22	CHANGE	FY23 ²	FY22 ²	CHANGE		
REVENUE	82.5	112.4	(29.9)	82.5	112.4	(29.9)	\$82.5M	\$6.1M
EBIT	8.2	17.2	(9.0)	4.3	16.9	(12.6)		
NET PROFIT AFTER TAX	6.2	11.7	(5.5)	2.6	11.5	(8.9)		
EBITDA				12.0	25.1	(13.1)		
Lease Expenses				(5.9)	(6.0)	0.1		
EBITDA Pre AASB 16 (Lease Impact)				6.1	19.1	(13.0)		
								
							\$4.3M	8%
							UNDERLYING EBIT ¹	LOWER OPEX

1. Presented pre AASB 16 leases.
2. Underlying results adjusted for the impact of gain on sales and impairment.

KEY INDICATORS

Double digit increases in future growth indicators (agent and office count), whilst volumes and average selling price lower, given market conditions.

KEY INDICATORS	FY23	FY22	% CHANGE
NUMBER OF AGENTS ^{1,2}	657	584	12.5%
NUMBER OF OFFICES ²	126	108	16.7%
NO. OF PROPERTIES SOLD	11,035	13,944	(20.9%)
NETWORK AVERAGE SELLING PRICE (\$M)	1.32	1.37	(3.7%)
COMPANY OWNED PROPERTIES UNDER MANAGEMENT	6,447	7,948	(18.9%)

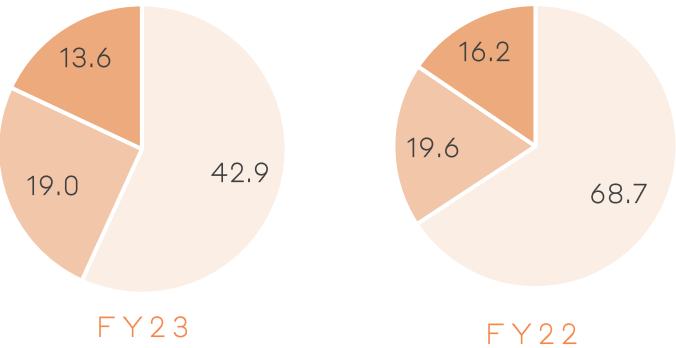
- Increase in number of agents
- Increase in number of McGrath network offices, reflecting strong focus on franchise office growth strategy
- Decline in number of properties sold, in line with challenging market conditions
- Decline in average selling price, reflecting market conditions.
- Company owned properties under management declined, primarily due to the sale of property managements through the transition to franchise.

1. Listing and selling agents
2. Current period as at Jun-23. Prior period as at Jun-22.

KEY SEGMENT RESULTS

Business model change to predominantly franchise, led to a greater share of stable franchise revenues & earnings.

REVENUE¹



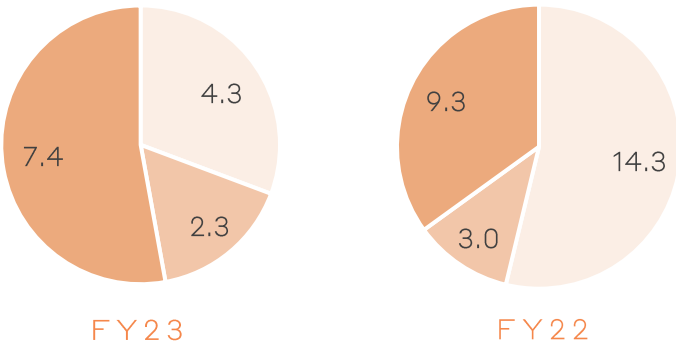
FRANCHISE

Greater proportion of stable franchise earnings in FY23 as 7 offices transitioned from Company Owned to Franchise, and an additional net 18 offices were opened.

COMPANY OWNED PROPERTY MANAGEMENT

EBIT is down on prior year which is mainly due to the sale of property managements through the transition to franchise.

EBIT¹



COMPANY OWNED SALES

Decrease in EBIT driven by a reduction in the number of properties sold during the year and a decrease in average selling price. Decrease in % share of Revenue and EBIT as 7 offices transitioned from Company Owned to Franchise.

1. Excludes other segments and corporate costs.

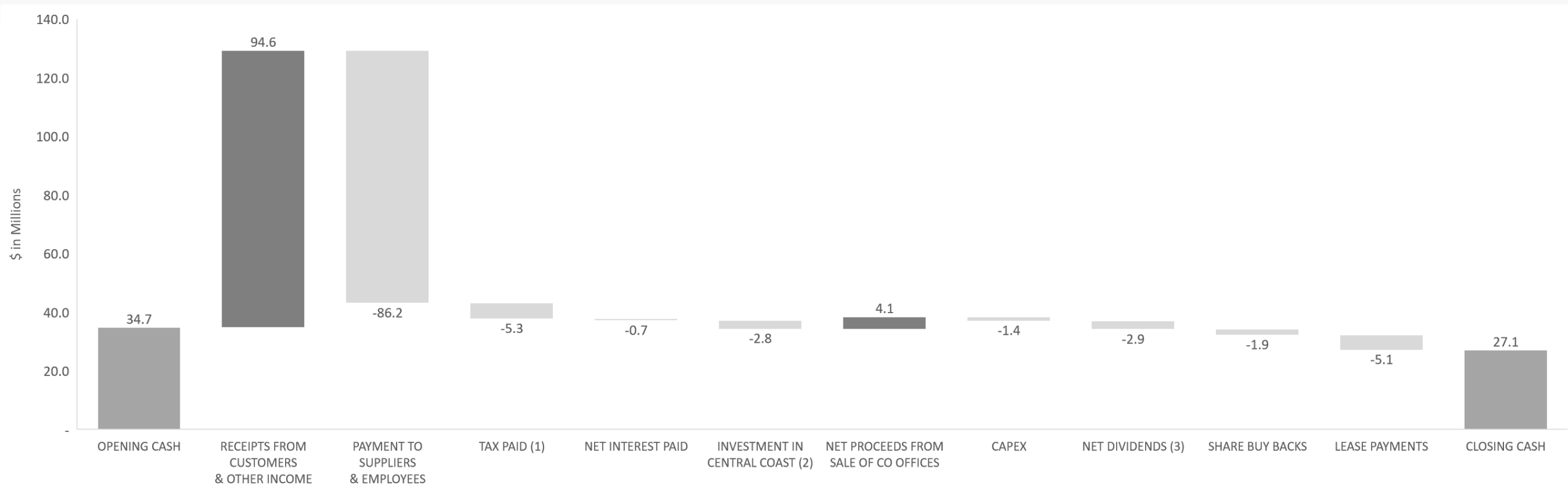
02

CASH FLOW, BALANCE
SHEET & CAPITAL
MANAGEMENT



CASH FLOW

Strong cash balance funding operations, investment activities and shareholder returns (dividends / buybacks).



1. FY22 liability (\$3.9m) and FY23 provisional payments (\$1.4m).
2. Initial cash component
3. Dividends paid of \$3.3m less dividends received \$0.4m

BALANCE SHEET

Strong balance sheet with \$27.1m in cash; estimated net assets of \$86.7m and estimated net assets per share of 54.1c.

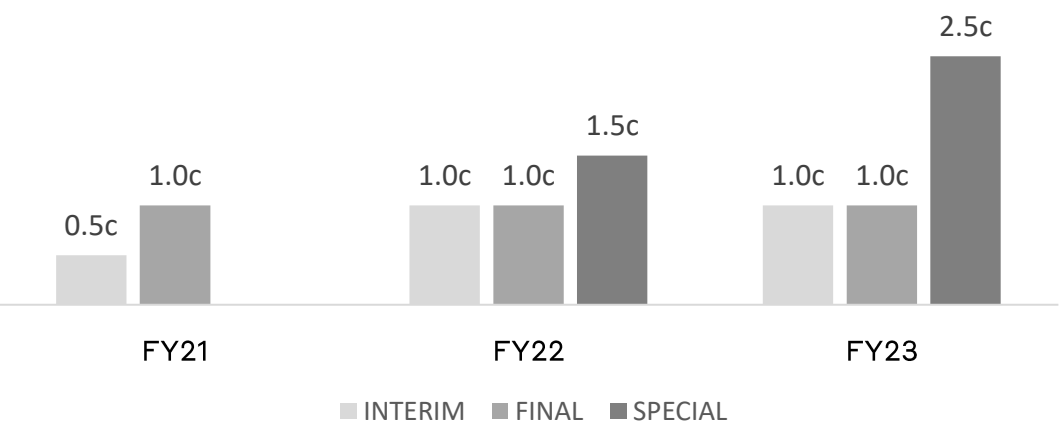
\$M	JUN 2023	JUN 2022	CHANGE
CASH AT BANK	27.1	34.7	(7.6)
STATUTORY NET ASSETS	52.1	49.6	2.5
ASSETS NOT ON BALANCE SHEET ¹	34.6	37.0	(2.4)
ESTIMATED NET ASSETS ²	86.7	86.6	0.1
ESTIMATED NET ASSETS (CENTS PER SHARE) ²	54.1c	53.4c	0.7c

1. Management Valuation calculated on blended valuation multiple of 3.4x on Q4 FY23 Annualised Property management fees (\$43.1m). Only \$8.5m of this value is held on the Balance Sheet.

2. This is a non A-IFRS measure

CAPITAL MANAGEMENT & RETURNS TO SHAREHOLDERS

Consistent ordinary dividends, with a special dividend declared for FY23 from capital gains achieved. Further capital management initiatives to be considered, as sale of company owned offices and rent rolls progress.
Share buy backs to continue.



ORDINARY DIVIDENDS

- A 1.0c cent fully franked FY23 interim dividend has been paid in Mar-23
- A 1.0c cent fully franked FY23 final dividend has been declared payable in Sep-23
- A 2.5c cent fully franked FY23 special dividend has been declared payable in Sep-23 to offer shareholders returns for the sale Company Owned offices and rent rolls in FY23.

SHARE BUY BACKS

- Represents best investment at current share price levels

FURTHER CAPITAL MANAGEMENT INITIATIVES

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

03

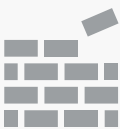
STRATEGIES & OUTLOOK



STRATEGY

Strong momentum on delivery of key strategies

01



RAPID SCALE

Additional 115 high quality new offices over next 4 years.

02



TALENT

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

03



TECHNOLOGY

National rollout of new Agent App platform in progress. Website upgrade to drive enhanced lead generation and customer experience

04



ADJACENCIES

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

05



SELECT INVESTMENTS

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

FY23 HIGHLIGHTS

+18

Net new Franchise offices with a strong future pipeline

+7

Company owned offices sold to franchise partners with further sales planned for FY24

+80%

Manual Agent activity planned removal through Agent App

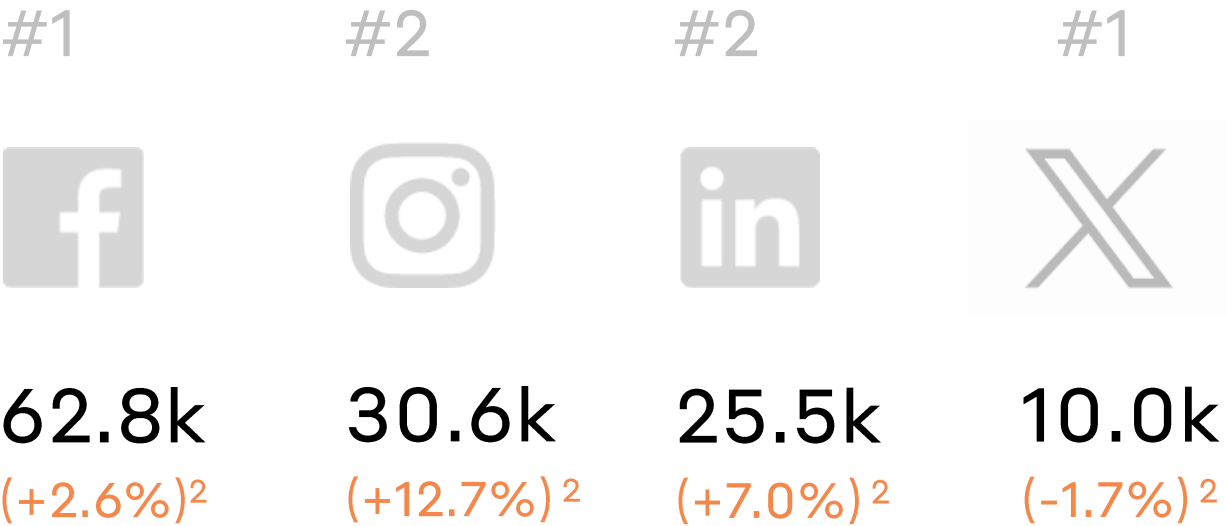
Oxygen Home Loans and Honey Insurance providing additional customer services

+1

30% equity stake in top performing Central Coast Franchise

DIGITAL

Maintaining market leading social media position.¹



A DIGITAL EXPERIENCE PLATFORM DRIVING ENGAGEMENT & GROWTH

mcgrath.com.au generated 8,673 leads for the FY23 period which was a 204% increase from FY22.

A MULTI-CHANNEL, BEST PRACTISE APPROACH TO DIGITAL MARKETING

Partner with a leading global specialist agency and providers to leverage expertise and platforms to grow output (awareness, engagement, leads) from paid and organic media including Search, Social, GMB & Email.

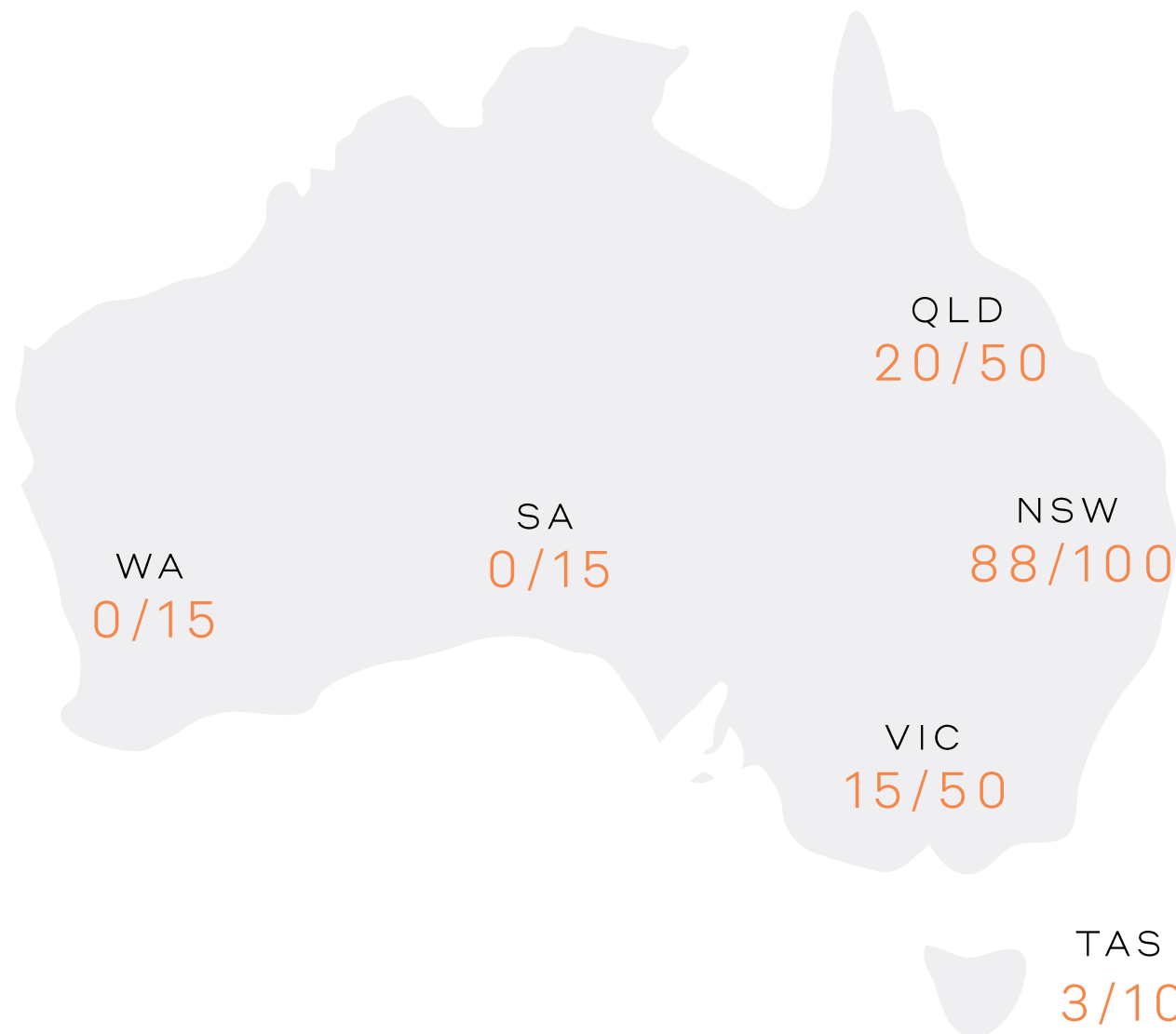
WORLD CLASS INSIGHTS DELIVERING SIGNIFICANT BUSINESS VALUE

McGrath Report 2023, 21% increase in digital downloads with National editorial exposure across print and electronic outlets.

1. Current position (Jun-23) amongst Australian Real Estate Brand Accounts in terms of followers
2. Growth on Jun-22 number of followers

OFFICE ROAD MAP

Office expansion targeting
national presence



CURRENT/PLANNED
126/240

OUTLOOK

MARKET

- Despite a correction in the earlier part of FY23, the market is experiencing a new cycle where home values are rising again. A shortage of homes for sale amid strong buyer interest, the return of migrants and low unemployment are underpinning this market strength.
- We are seeing listing levels trending higher and anticipate these to rise for Spring.

FY24 OUTLOOK

- It appears that the stabilisation of interest rates may be within sight, which could lead to increase in market activity.
- We are well positioned for future growth and are focused on delivering great value to all our customers and stakeholders



04

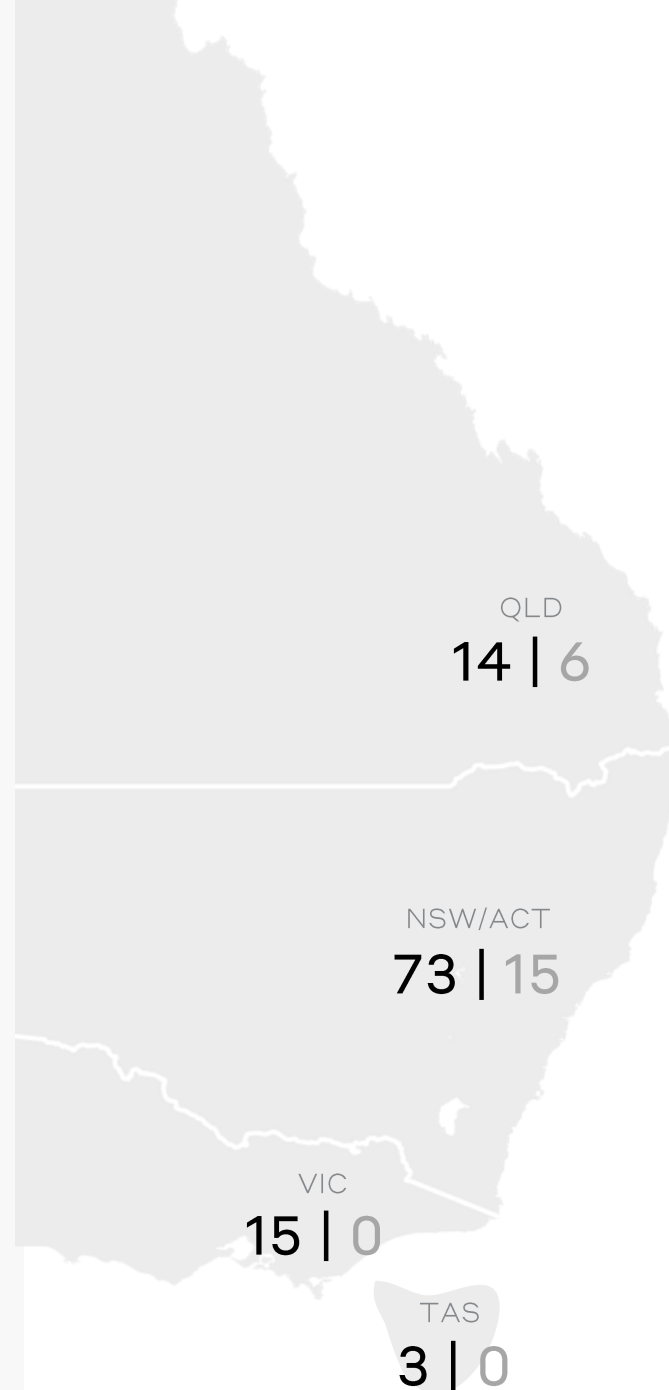
APPENDIX



FOOTPRINT IN CORE MARKET

126

McGRATH OFFICES¹



105

FRANCHISE

(+26)

- + Bundaberg
- + Bargara
- + Jindabyne
- + Nowra
- + Aspley
- + Oatley
- + Devonport
- + Beverly Hills
- + Port Stephens
- + Batemans Bay
- + Beecroft
- + Strathfield
- + Bathurst
- + Muswellbrook
- + Wagga Wagga
- + Narrandera
- + Temora
- + Leeton
- + Hawkesbury
- + Rylstone
- + North Lakes
- + Surry Hills
- + Ryde (Transfer)
- + Hunters Hill (Transfer)
- + Wahroonga (Transfer)
- + Castle Hill (Transfer)
- + Crows Nest (Transfer)
- + Willoughby (Transfer)
- + Double Bay (Transfer)
- Annerley/Yeronga
- North Canberra
- Rockhampton

21

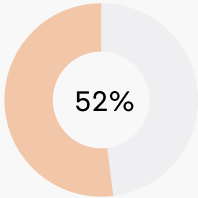
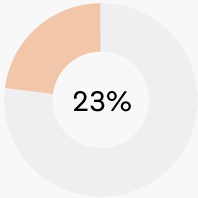
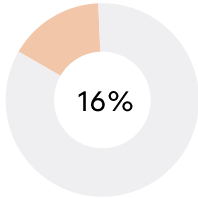
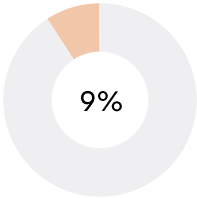
COMPANY OWNED

(-8)

- Ryde (Transfer)
- Hunters Hill (Transfer)
- Wahroonga (Transfer)
- Lindfield (Temporary Closure)
- Castle Hill (Transfer)
- Crows Nest (Transfer)
- Willoughby (Transfer)
- Double Bay (Transfer)

1. As at 30 June 2023

BUSINESS OVERVIEW BY SEGMENT

	COMPANY OWNED			
	SALES	PROPERTY MANAGEMENT	FRANCHISED SERVICES	OTHERS
FY23 REVENUE PROPORTION				
FY23 UNDERLYING EBIT CONTRIBUTION ¹	\$4.3M EBIT	\$2.3M EBIT	\$7.4M EBIT	(\$0.5M) EBIT
OVERVIEW	<ul style="list-style-type: none">• Generates revenue by charging the vendors of residential property a commission for successfully selling a property• 21 offices²• 128 agents²• 2,326 property sales• \$4.2 billion value of property sales	<ul style="list-style-type: none">• Generates annuity style revenue through management and leasing fees• 32 property managers²• 6,447 properties under management (leased)²• Annualised churn rate of 17%	<ul style="list-style-type: none">• Generates revenue from franchise fees on commission earned from successfully sold property and property management income• 105 offices²• 529 agents²• 8,709 property sales• \$10.3 billion value of property sales	<ul style="list-style-type: none">• 44% investment in Oxygen Home Loans, a Mortgage broking business generating up front commissions and trailing revenue from each loan• 30% strategic investment in top performing Central Coast Franchise• TRET organises and operates a number of industry leading residential real estate conferences in Australia• 48 exclusive auctioneers with 4,668 auctions called

1. Excludes corporate costs.
2. As at 30 June 2023

PROFIT AND LOSS

	STATUTORY			UNDERLYING		
\$M	FY23	FY22	CHANGE	FY23 (PRE ONE OFF ITEMS)1	FY22 (PRE ONE OFF ITEMS)1	CHANGE
REVENUE	82.5	112.4	(27%)	82.5	112.4	(27%)
COST OF SALES	(32.8)	(44.8)	(27%)	(32.8)	(44.8)	(27%)
GROSS PROFIT	49.7	67.6	(26%)	49.7	67.6	(26%)
OTHER INCOME	5.4	0.6	N.M.	0.9	0.2	N.M.
SHARE OF PROFIT OF AN ASSOCIATE	0.6	0.1	N.M.	0.6	0.1	N.M.
EMPLOYEE BENEFITS EXPENSES	(24.5)	(27.5)	(11%)	(24.5)	(27.5)	(11%)
OTHER EXPENSES	(14.8)	(15.3)	(4%)	(14.8)	(15.3)	(4%)
EBITDA	16.4	25.5	(36%)	12.0	25.1	(52%)
DEPRECIATION AND AMORTISATION	(7.7)	(8.3)	(7%)	(7.7)	(8.3)	(7%)
IMPAIRMENT	(0.5)	-	N.M.	-		
EBIT	8.2	17.2	(53%)	4.3	16.9	(75%)
NET FINANCE (EXPENSE/INCOME)	(0.4)	(1.1)	(67%)	(0.4)	(1.1)	(67%)
NET PROFIT BEFORE TAX	7.8	16.1	(52%)	3.9	15.8	(75%)
INCOME TAX EXPENSE	(1.6)	(4.4)	(63%)	(1.3)	(4.3)	(69%)
NET PROFIT AFTER TAX	6.2	11.7	(47%)	2.6	11.5	(77%)
EBITDA				12.0	25.1	(52%)
LEASE EXPENSES				(5.9)	(6.0)	(3%)
EBITDA PRE AASB 16 (LEASE IMPACT)				6.1	19.1	(68%)

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

n.m = not meaningful

Note: does not add through due to rounding differences

SEGMENT PERFORMANCE

	STATUTORY			UNDERLYING		
\$M	FY23	FY22	CHANGE	FY23 (PRE ONE OFF ITEMS)1	FY22 (PRE ONE OFF ITEMS)1	CHANGE
REVENUE						
COMPANY OWNED SALES	42.9	68.7	(38%)	42.9	68.7	(38%)
PROPERTY MANAGEMENT	19.0	19.6	(3%)	19.0	19.6	(3%)
FRANCHISE	13.6	16.2	(16%)	13.6	16.2	(16%)
OTHER	7.0	8.0	(12%)	7.0	8.0	(12%)
TOTAL REVENUE	82.5	112.4	(27%)	82.5	112.4	(27%)
EBIT						
COMPANY OWNED SALES	4.3	14.3	(70%)	4.3	14.3	(70%)
PROPERTY MANAGEMENT	2.3	3.0	(23%)	2.3	3.0	(23%)
FRANCHISE	7.4	9.3	(20%)	7.4	9.3	(20%)
OTHER	(0.5)	0.3	n.m	(0.5)	0.3	n.m
CORPORATE	(5.4)	(9.8)	(45%)	(9.3)	(10.1)	(8%)
TOTAL EBIT	8.2	17.2	(53%)	4.3	16.9	(75%)
EBIT MARGINS						
COMPANY OWNED SALES				10%	21%	(11ppt)
PROPERTY MANAGEMENT				12%	16%	(4ppt)
FRANCHISE				54%	58%	(4ppt)
OTHER				n.m.	n.m.	
TOTAL EBIT MARGIN				5%	15%	(10ppt)

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

n.m = not meaningful

Note: does not add through due to rounding differences

CASH FLOW

\$M	FY23 (STATUTORY)	FY22 (STATUTORY)
RECEIPTS FROM CUSTOMERS AND OTHER INCOME	94.6	130.2
PAYMENT TO SUPPLIERS AND EMPLOYEES	(86.2)	(105.1)
NET INTEREST (PAID) / RECEIVED	(0.7)	(1.2)
INCOME TAXES PAID	(5.3)	(0.8)
NET CASH FLOW FROM OPERATING ACTIVITIES	2.4	23.1
PROCEEDS OF PROPERTY MANAGEMENT RIGHTS AND PROPERTY, PLANT AND EQUIPMENT	4.7	0.5
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT	(0.3)	(1.0)
PURCHASE OF INTANGIBLE ASSETS	(1.1)	(2.3)
PURCHASE OF INVESTMENT IN ASSOCIATE	(2.8)	-
PAYMENT FOR DEBT INSTRUMENT FINANCIAL ASSET	-	(6.5)
DIVIDENDS RECEIVED	0.4	-
NET LOANS GRANTED	(0.6)	0.2
NET CASH FLOW FROM INVESTING ACTIVITIES	(0.2)	(9.0)
PAYMENT FOR LEASE LIABILITIES	(5.1)	(4.9)
PAYMENT FOR TREASURY SHARES	-	(2.4)
PAYMENT FOR SHARE BUY-BACK	(1.9)	(1.9)
DIVIDENDS PAID	(3.2)	(5.8)
NET CASH FLOW FROM FINANCING ACTIVITIES	(10.3)	(15.1)
OPENING BALANCE	34.7	35.8
NET CASH FLOW	(7.7)	(1.0)
CLOSING BALANCE	27.1	34.7

Note: does not add through due to rounding differences

BALANCE SHEET

\$M	JUN 2023	JUN 2022	% CHANGE
CASH AT BANK	27.1	34.7	(22%)
OTHER CURRENT ASSETS	22.7	16.8	35%
TOTAL NON-CURRENT ASSETS	32.0	41.5	(23%)
TOTAL ASSETS	81.8	93.0	(12%)
TOTAL CURRENT LIABILITIES	19.9	28.5	(30%)
TOTAL NON-CURRENT LIABILITIES	9.8	14.9	(34%)
TOTAL LIABILITIES	29.7	43.4	(32%)
NET ASSETS	52.1	49.6	5%
ASSETS NOT ON BALANCE SHEET ¹	34.6	37.0	(6%)
ESTIMATED NET ASSETS²	86.7	86.6	0%
ESTIMATED NET ASSETS (CENTS PER SHARE)²	54.1	53.4	1%

1. Management Valuation calculated on blended valuation multiple of 3.4x on Q4 FY23 Annualised Property management fees (\$43.1m). Only \$8.5m of this value is held on the Balance Sheet.
2. This is a non A-IFRS measure



McGRATH CONTACTS ASSOCIATED WITH THIS PRESENTATION

HOWARD HERMAN
CFO

TERRI SISSIAN
COMMUNICATIONS DIRECTOR

INVESTOR CENTRE CONTACT DETAILS

+61 2 9386 3333
INVESTORCENTRE@MCGRATH.COM.AU

DISCLAIMER

This Presentation has been prepared by McGrath Limited (Company) together with its related bodies corporate (McGrath Group) and is dated 21 August 2023. The material contained in this Presentation has been prepared in connection with the Company's FY23 results and is intended to be general background information on the McGrath Group and its activities which are current as at the date of this Presentation.

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 full year results for the full year ended 30 June 2023, 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.

To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this material is accepted by the McGrath Group, including any of its related bodies corporate. All amounts are in Australian dollars unless otherwise indicated.

Unless otherwise noted, financial information in this Presentation is based on A-IFRS. McGrath Group uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards or International Financial Reporting Standards (IFRS). These measures are collectively referred to in this Presentation as 'non-IFRS financial measures' under Regulatory Guide 230 "Disclosing non-IFRS financial information" published by ASIC. Management has used these non-IFRS financial measures to evaluate the performance and profitability of the overall business and the Company believes that they are useful for investors to understand the Company's financial condition and results of operations. Unless otherwise specified, those non-IFRS financial measures have not been subject to audit or review in accordance with Australian Accounting Standards.

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 developments on the McGrath Group will be as anticipated. Actual results could differ materially from those which the McGrath Group expects, depending on the outcome of various factors. Factors that may impact on the forward-looking statements made include, but are not limited to, general economic conditions in Australia, competition in markets in which the McGrath Group will operate and the inherent regulatory risks in the business of the McGrath Group.

When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. The McGrath Group is under no obligation to update any forward looking statements contained in this Presentation, where as a result of new information, future events or otherwise, after the date of this presentation.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate.

McGrath