

Earnings guidance and key organisational changes

- Review establishes leaner structure
- Board members announce intention to resign
- ELT members including CEO to leave the Company

McGrath Limited today announces earnings guidance and significant changes to its Board and executive team. This includes the pending transition of founder and Executive Director John McGrath to interim Executive Chairman.

Half year earnings have been adversely affected by underperformance in the Company owned sales division, including Project Marketing. The Franchise, Property Management and other businesses are performing largely to expectation.

Based on currently available information, the Board anticipates the Company's EBITDA for the half year ended 31 December to be \$1.63m before one off items and a small loss of \$50,000 post one off items. These estimates exclude any potential goodwill impairment which may arise when the carrying value of each division is reviewed in the course of preparing the half year accounts.

In establishing a leaner operational structure, the Company is enacting the second stage of its cost reduction initiatives, announced on 6 November 2017. The program is on track to remove just under \$5 million in costs from McGrath on a full-year basis. On current indications, full year EBITDA is expected to be in the range of \$5.8m - \$6.8m after one off items. This would translate to underlying earnings of \$10.6m – \$11.6m before one off items and assuming the cost initiatives were in place for a full year period.

As noted in November, part of Stage Two of the Company's structural review examined costs in non-customer facing roles, including among the Company's board and executive management level and roles where key expertise was unlikely to be required in the medium to long term. That expertise includes material expansion of Company owned offices and growth-oriented M&A initiatives.

As a result of the structural review, McGrath CEO Mr Cameron Judson and Head of Corporate Services and Company Secretary, Mr Morgan Sloper, will leave the Company, with each serving appropriate notice periods to deliver a smooth transition to new leadership. Chairman Cass O'Connor said: "Cameron and Morgan were engaged when we anticipated a higher volume of corporate activity. Their skill-sets are broader than the Company currently needs." McGrath's external Company Secretary support will remain with the Company.

Nigel Dews has resigned from the Board, due to work commitments and as part of the Stage Two review. During 2017, Mr Dews was appointed CEO of Message Media, which necessitated his move interstate. Ms O'Connor thanks Nigel for his insights and contribution to the Board during his tenure.

McGrath Chair, Cass O'Connor, and current Non-Executive Directors Elizabeth Crouch and Cath Rogers have announced their intention to resign following an orderly transition period. This period will include the release of the Company's Interim Results in February. John McGrath will then assume the role of interim Executive Chair.

Chair Ms O'Connor said "The Board is disappointed with the recent performance of Company and its share price. The issue of historically low listing volumes finally seems to be abating, but it and other factors and their contribution to the underperformance primarily in the Company Owned Sales division have been well publicised. The cost cuts have gone as far as they can while leaving the Company with the resources to benefit from market improvement.

We believe these changes will give the Company the best opportunity to end speculation and move forward", Ms O'Connor said.

"As Executive Director, founder and major shareholder, John is well placed to transition to interim Executive Chairman role. John, the Board and the CEO will work closely to effect a smooth transition." The transition period will allow for the recruitment of additional non-executive directors to fulfil the Company's legal and strategic requirements.

Pending interim Executive Chairman, Mr McGrath said "Like all shareholders I am very disappointed with the performance of the Company over the last two years. Now is the time for a new approach. Despite the challenges we have endured since listing, McGrath remains one of the best real estate businesses in Australia with outstanding talent throughout the Company. I am very excited and proud to once again be leading the team in the future."

"Our investors and team have exhibited great patience and loyalty during this difficult time and I intend to work very hard to repay them for their confidence in the Company. I have a clear plan to rebuild momentum but I will let our results speak for themselves from here."

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About McGrath

Founded in 1988, McGrath (ASX: MEA) has grown to be one of Australia's most successful residential real estate groups. An integrated real estate services business, McGrath is a total solution company offering agency sales, property management, mortgage broking and career training services. McGrath Estate Agents currently has 97 offices located throughout the East Coast of Australia.

For further information, please visit www.mcgrath.com.au