Cameron Judson, CEO
Glynn Wright, CFO

McGrath Limited (ASX: MEA)

Results for the 6 months ended 31 December 2017

15 February 2018

McGrath

1H18 – A SNAPSHOT

REVENUE DOWN
23% TO
$51.6M

GOODWILL IMPAIRMENT ($21.8) IN COMPANY OWNED SALES SEGMENT

MKT SHARE
3% [2]

OFFICES DOWN
5 TO
97[3]

STATUTORY EBITDA DOWN
101%
TO
($0.1M)

Pro forma NPAT
($0.7M)[1]

OXYGEN LOAN BOOK VALUE
$2.9Bn

AGENT NUMBERS DOWN 73 TO
583[3]

Pro forma EBITDA DOWN
34% to
$3.1m

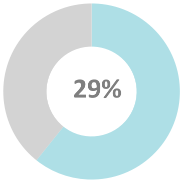
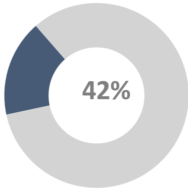
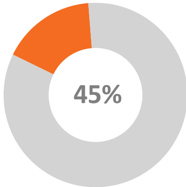
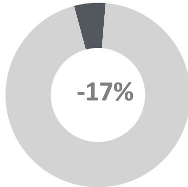
CASH AT BANK
$3.4M

COMPANY OWNED LISTINGS DOWN
34%

NO INTERIM DIVIDEND FY18

Note: Financial performance above compares 1H18 statutory results vs 1H17 statutory results unless indicated. 1. Underlying NPAT details on slide 4 2. McGrath settled sales volume data for 12 months to 30 September 2017 and total market size by value derived from CoreLogic data, 12 months to 30 September 2017. 3. Comparison between 30 June 2017 and 31 December 2017

BUSINESS OVERVIEW BY SEGMENT

	Company owned		Franchise Services	Other[3]
	Sales	Property Management		
FY18 H1 EBITDA Contribution / Margin	 29% **6% margin**	 42% **32% margin**	 45% **60% margin**	 -17% **-3% margin**
Overview[1]	• 27 offices • 190 agents • 1,712 property sales • $2.6 billion value of property sales • Generates revenue by charging the vendors of residential property a commission for successfully selling a property	• 64 property managers • 7,449 properties under management (leased) • Churn rate of ~20%[2] • Generates revenue through management and leasing fees	• 70 offices • 393 agents • 4,324 property sales • $3.9 billion value of property sales • 24,960 properties under management • Franchise fees are largely consistent across the network	• 33 brokers settled 816 mortgages for a value of $422 million • ~$2.9 billon of loans under management • Mortgage broking generates up front and trailing revenue from each loan • McGrath Training organises and operates a number of industry leading residential real estate conferences in Australia • 48 exclusive auctioneers

Note: 1. Data as at 31 December 2017 unless otherwise stated. 2. Churn rate is defined as the total number of properties lost as a percentage of total properties managed each year and does not account for the addition of new properties. 3. Incorporates the mortgage broking, auctioneering and training businesses.

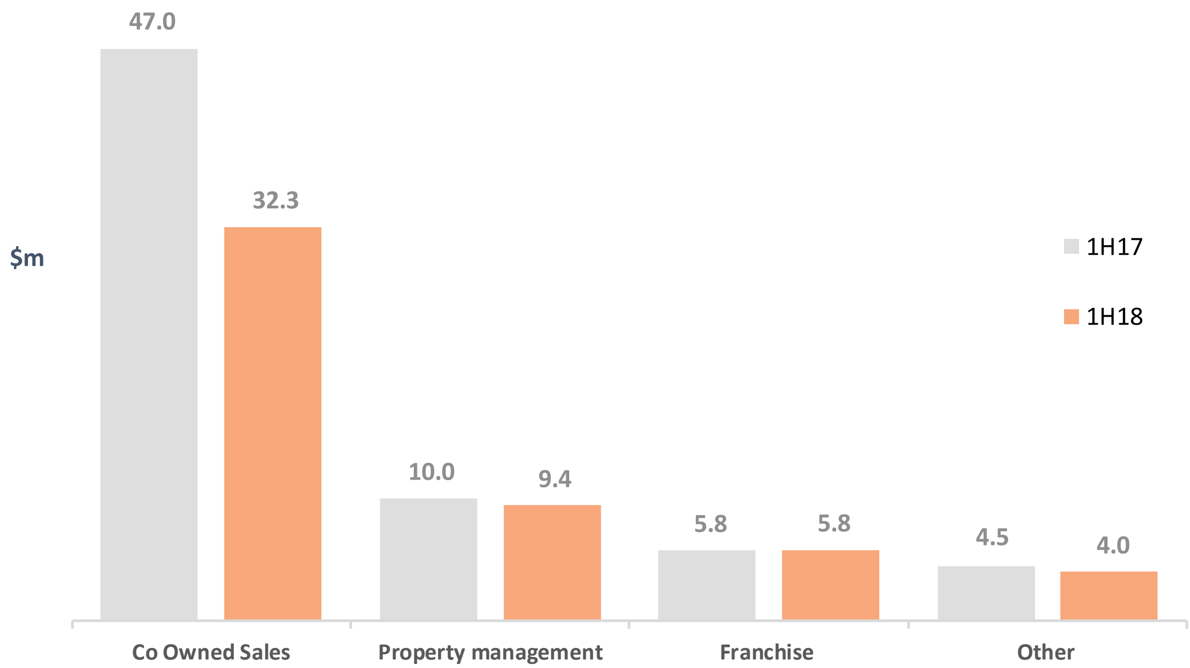
CHALLENGING OPERATING ENVIRONMENT

Statutory $m	1H18	1H17	% Change
Revenue	51.6	67.3	(23%)
EBITDA	(0.1)	9.6	(101%)
NPAT	(25.5)	2.7	(1043%)
Cash	3.4	5.3	(35%)
Net assets	74.4	127.8	(42%)
Operating cash flow	0.5	6.3	(92%)

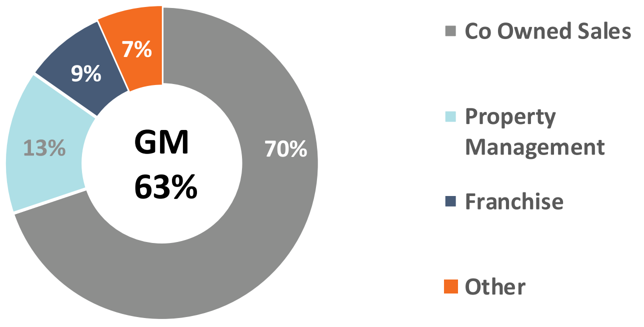
Pro forma $m	1H18	1H17	% Change
Revenue	51.6	67.3	(23%)
EBITDA	3.1	9.6	(68%)
NPAT	(0.7)	4.2	(116%)

- **Revenue**
  - Co Owned listings value down
  - 5 Franchise office exits, 1 transfer from Co Owned
- **EBITDA**
  - Co Owned Listing volumes down
  - McGrath Future costs ($1.5m)
  - Restructuring costs ($0.47m)
  - Debtor provisions & write-offs ($0.8m)
- **NPAT**
  - Impairment of Goodwill ($21.8m) & Property Management rights assets ($1.1m)
- **Underlying revenues**
  - Co Owned sales segment down
  - Property Management down
  - Franchise in line with last year
  - Other marginally down
- **Underlying EBITDA**
  - Sales segment main contributor to decline

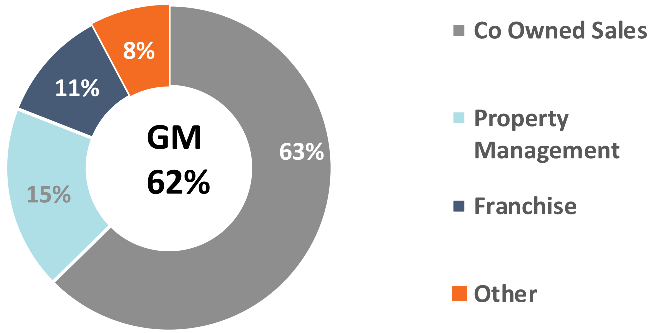
REVENUE BY SEGMENT



- **Co Owned Sales**
  - Listings down
  - Lower agent numbers
  - Projects slowdown
- **Property Management**
  - PUM down
  - Lower new let / re-lets
- **Franchise**
  - Franchise fees up
  - 1 grant fee signing
  - Down 4 offices (net)

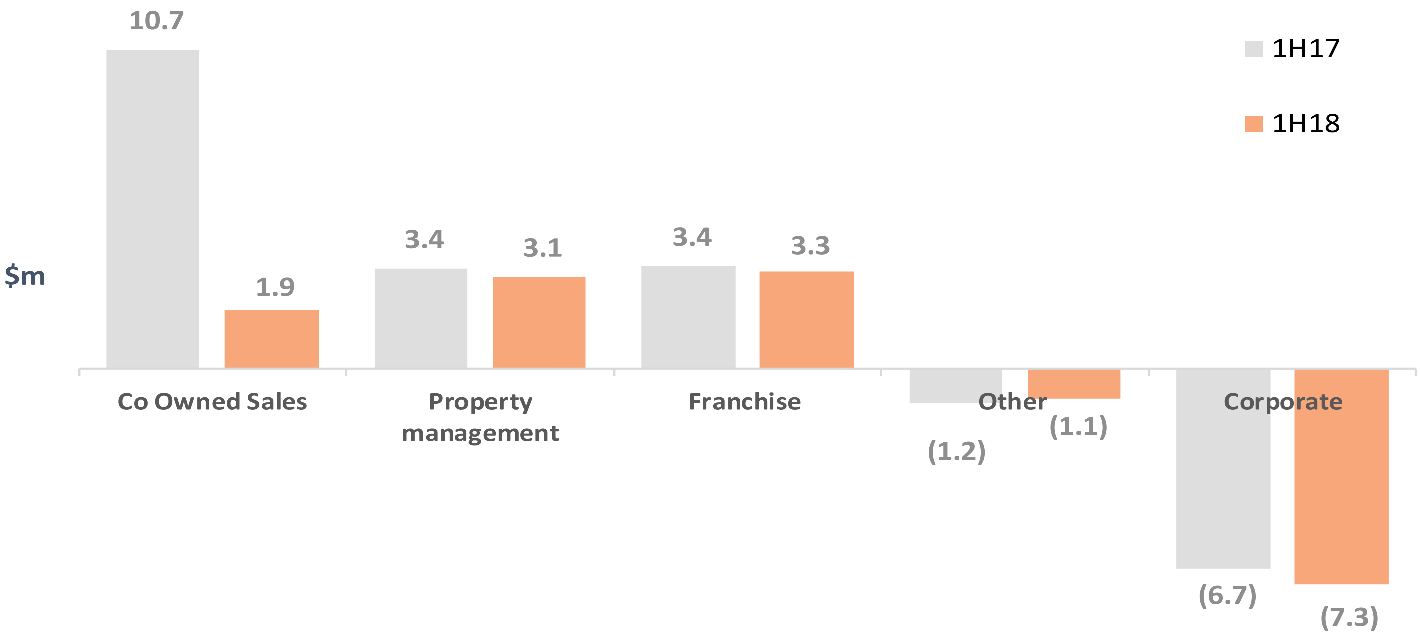


1H17 Revenue Mix



1H18 Revenue Mix

EBITDA BY SEGMENT



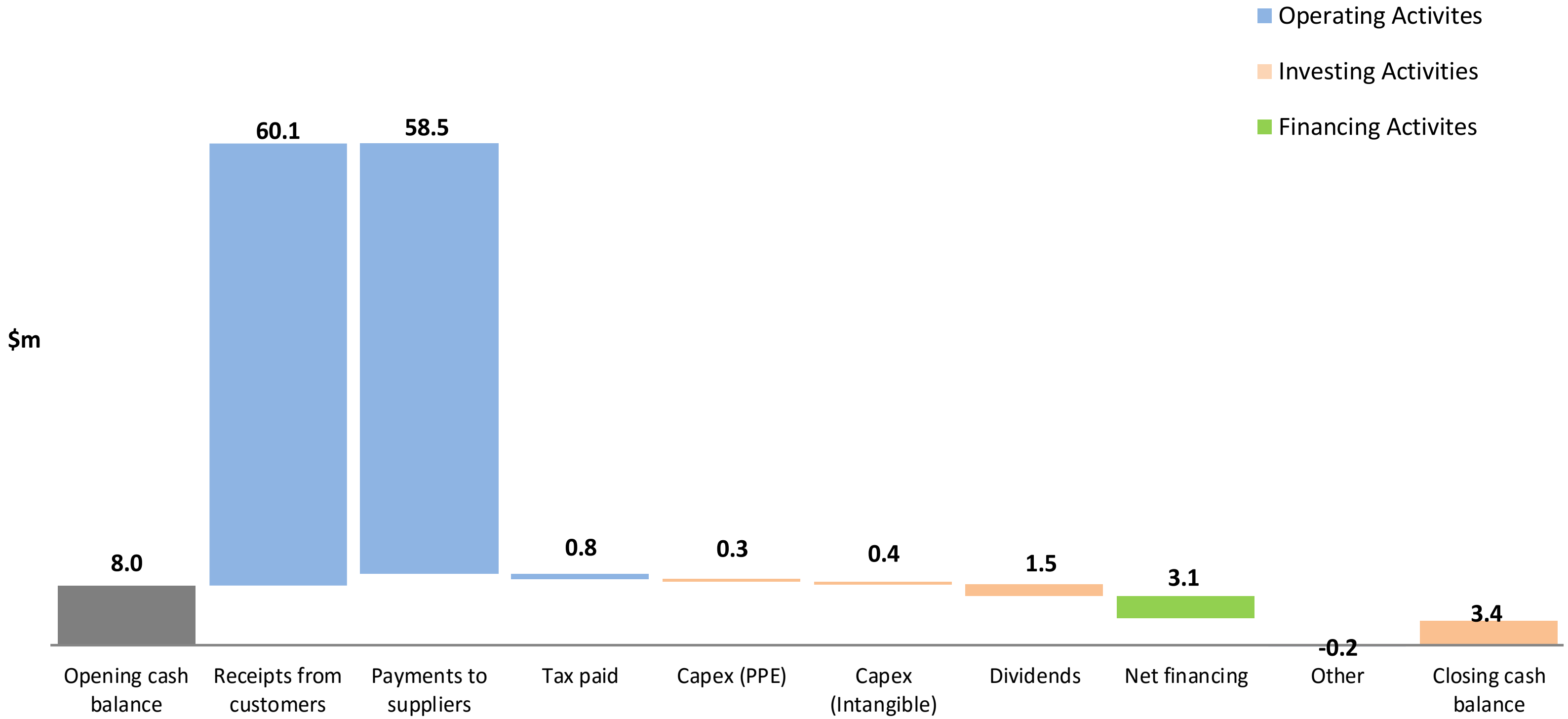
EBITDA Margins

23%	6%	33%	33%	60%	56%	(26%)	(26%)

- **Co Owned Sales**
  - Residential GCI down
  - Projects GCI down
  - Agent numbers down
  - McGrath Future costs ($1.5m)
- **Property Management**
  - Flat PUMs
  - New let / re-lets down
  - EBITDA margin steady
- **Franchise**
  - Office exits impacting EBITDA margin
  - Debtor write-offs ($0.5m)
- **Corporate**
  - Doubtful debt provision
  - Restructuring costs

CASH FLOW

30 June 2017 to 31 December 2017

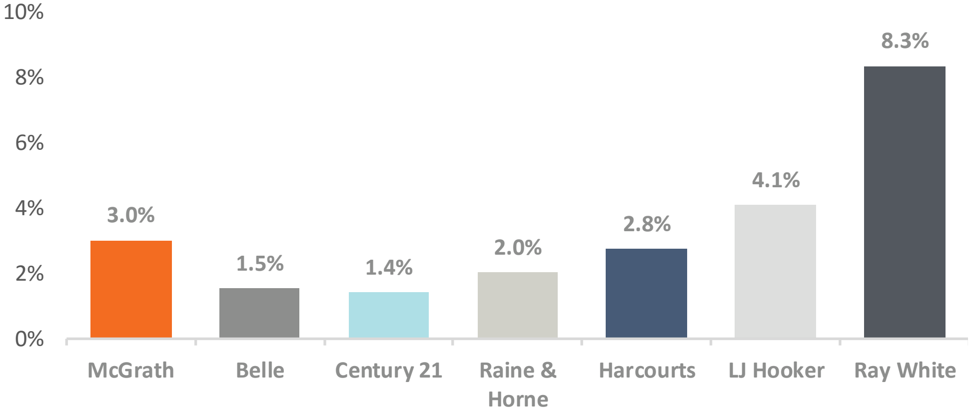


- Slowdown on capital expenditure ($0.7m 1H18)
- Final Dividend Payment FY17
- Second deferred consideration payment made to Smollen Group $3.1m

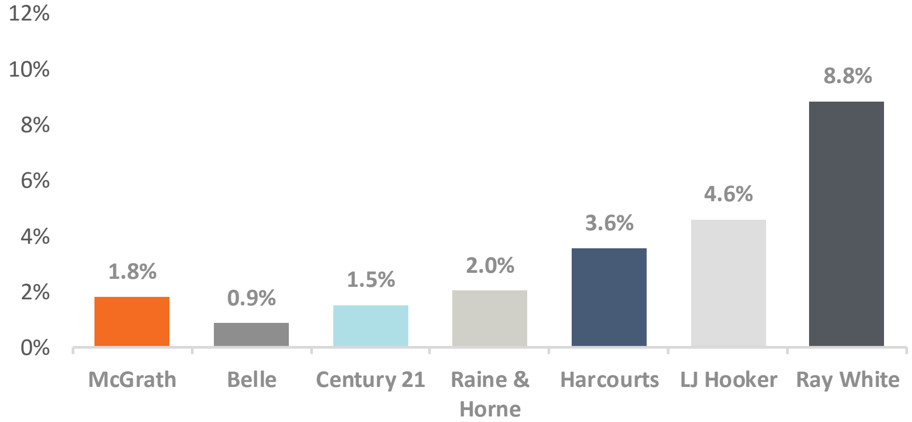
McGrath

McGRATH MARKET POSITION REMAINS CONSTANT

Market share by sales value[1]



Market share by sales volume[1]



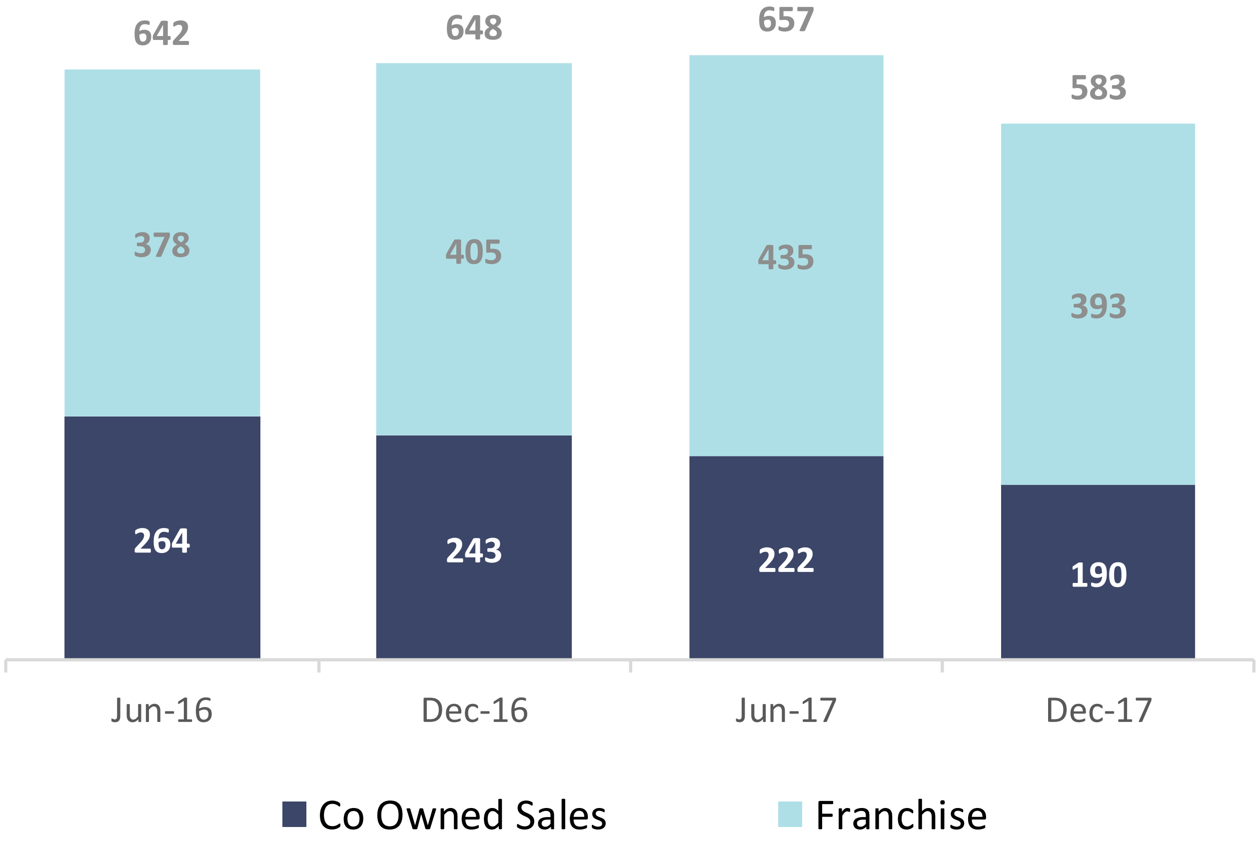
- Market share by sales value at 3%
- 19 of top 100 agents work for McGrath[2]

Market share by sales value[3]

Addressable Markets	12 mths to Sep17	12 mths to Sep16
NSW	6.1%	6.8%
QLD	1.9%	1.9%
ACT	4.7%	4.0%
VIC	0.4%	0.2%
National	**3.0%**	**3.2%**

1. McGrath management estimates based on published sales data where an agent was recorded in that data. Total market size derived from CoreLogic data, 12 months to 30 September 2017. 2. Real Estate Business: Top 100 Ranking April 2017. 3. Prior period comparative CoreLogic data, for 12 months to 30 September 2017 re-run. NB Core Logic underestimates individual agency numbers as a result of data collection processes.

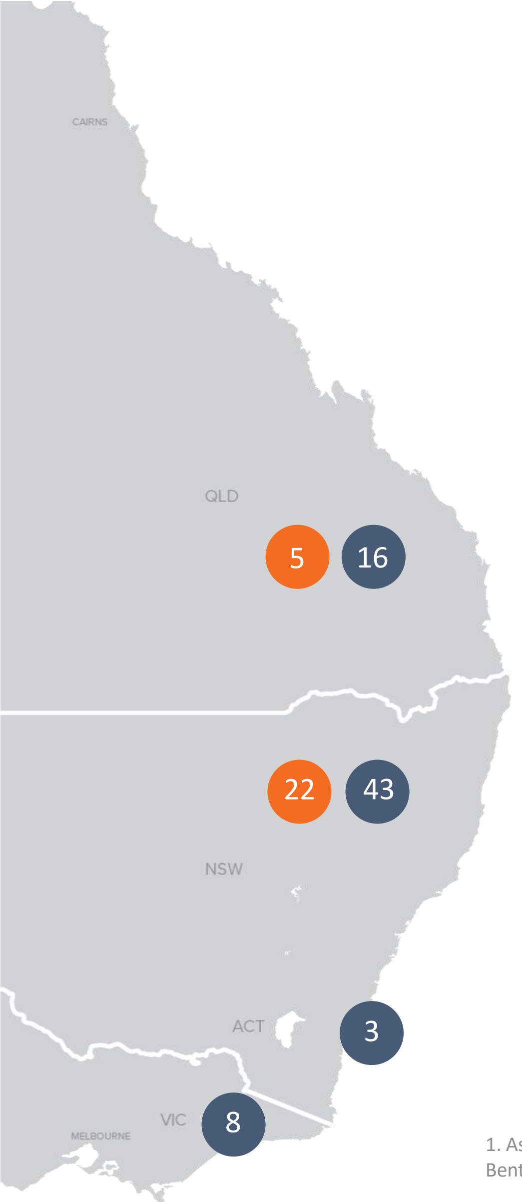
AGENT NUMBERS WITHIN McGRATH NETWORK



- **Continued focus on**
  - Talent identification
  - Develop and retain high performing and emerging agents
- 19 of top 100 agents work for McGrath[1]

1. Real Estate Business: Top 100 Ranking April 2017.

FOOTPRINT IN CORE MARKETS



97 McGrath offices[1]

27 Company owned offices

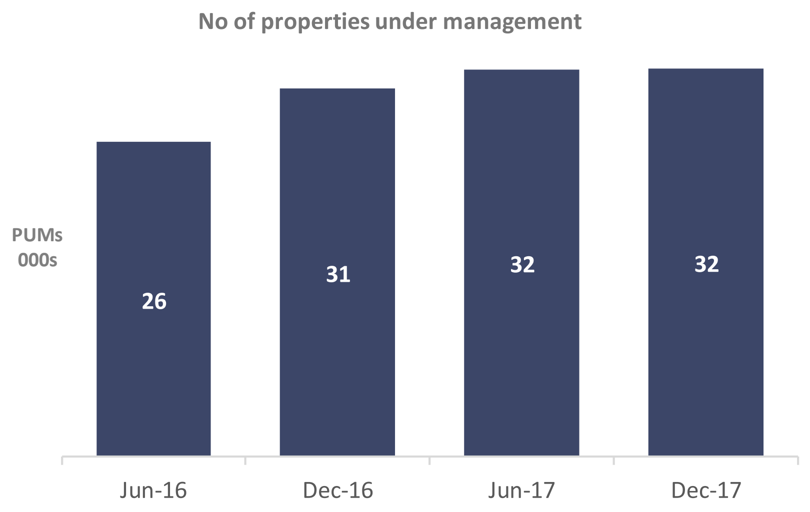
70 Franchise offices

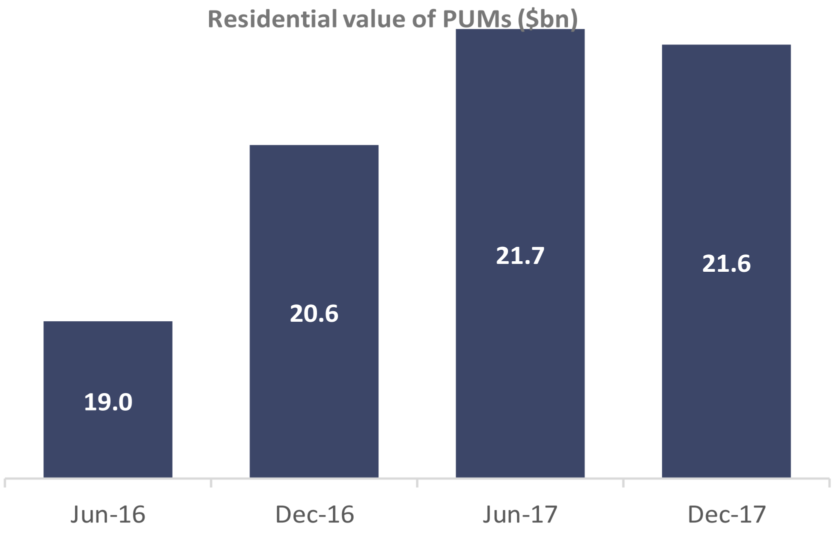
- **Company Owned Sales**
  -1 Avalon, NSW[2]

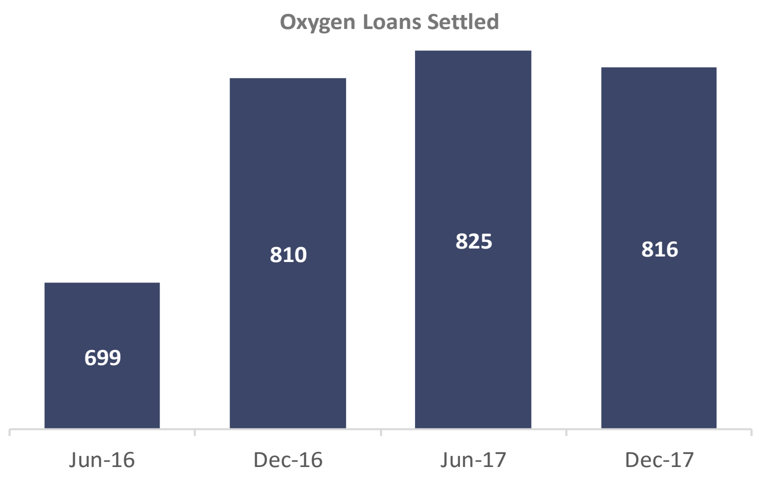
- **Franchise**
  +1 Avalon, NSW[2]
  -1 Wollongong, NSW[3]
  -1 Thirroul, NSW[3]
  -1 Shellharbour, NSW[3]
  -1 Bentleigh, NSW[4]
  -1 Kiama, NSW[5]

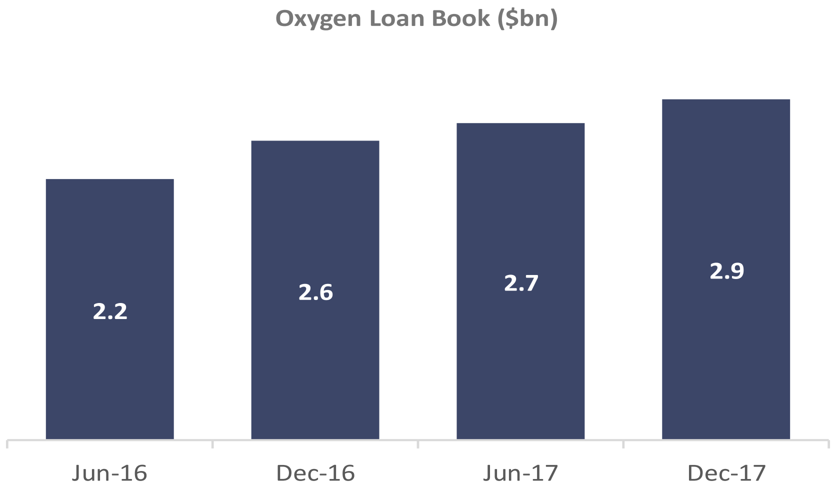
1. As at 31 December 2017. 2. Avalon, a Company Owned office transferred to Franchise on October 3, 2017 3. The Wollongong Franchise group exited on 23 October, 2017 4. Bentleigh, a Victorian franchise office left the network in 18 December, 2017 5. Kiama office closed 30 November 2017

GROWING PROPERTY MANAGEMENT AND HOME LOANS









McGrath

OUTLOOK

- Focus is on improving productivity and performance of the Company Owned Sales Segment.
- Continued stable contributions of our annuity style business in Property Management, Franchise and Oxygen.
- Maintain a disciplined approach to investment in the business to build long term shareholder value.

APPENDIX

STATUTORY SEGMENT PERFORMANCE

$m	1H17	1H18
Revenue		
Co Owned Sales	47.0	32.3
Property management	10.0	9.4
Franchise	5.8	5.8
Other	4.5	4.0
Total Revenue	**67.3**	**51.6**
EBITDA		
Co Owned Sales	10.7	1.9
Property management	3.4	3.1
Franchise	3.4	3.3
Other	(1.2)	(1.1)
Corporate	(6.7)	(7.3)
Total EBITDA	**9.6**	**(0.1)**

STATUTORY P&L

$m	1H17	1H18
Total revenue	**67.3**	**51.6**
Cost of sales	(25.1)	(19.9)
Gross profit	**42.2**	**31.6**
Employee benefits expenses	(18.3)	(18.2)
Other expenses	(14.3)	(13.2)
EBITDA	**9.6**	**(0.1)**
Depreciation and Amortisation	(3.5)	(3.8)
Impairment of software costs	(2.2)	0.0
Impairment of property management right assets	0.0	(1.1)
Impairment of company owned sales segment	0.0	(21.8)
EBIT	**3.9**	**(26.8)**
Net finance costs	0.0	0.0
Net profit/(loss) before tax	**3.9**	**(26.8)**
Tax expense	(1.2)	1.2
Net profit/(loss) before tax	**2.7**	**(25.5)**

PRO FORMA P&L

$m	1H17	1H18
Total revenue	**66.9**	**51.6**
Cost of sales	(25.0)	(18.4)
Gross Profit	**41.9**	**33.2**
Employee benefits expenses	(18.4)	(17.7)
Other expenses	(14.2)	(12.3)
EBITDA	**9.3**	**3.2**
Depreciation and Amortisation	(3.5)	(3.8)
Impairment of software costs	0.0	0.0
Impairment of Rent Roll	0.0	0.0
EBIT	**5.8**	**(0.6)**
Net finance costs	0.0	0.0
Net profit/(loss) before tax	**6.0**	**(0.6)**
Tax expense	(1.9)	(0.1)
Net profit/(loss) after tax	**3.9**	**(0.7)**

STATUTORY CASH FLOW

$m	1H18	1H17
EBITDA	**(0.1)**	**9.6**
Change in net working capital	0.7	(1.9)
IPO transaction costs included in EBITDA	0.0	0.0
Acquisition transaction costs included in EBITDA	0.0	0.0
Non cash EBITDA items	1.0	(0.1)
Net cash flow from operating activities before capital expenditure, financing and tax	**1.6**	**7.6**
Capital expenditure	(0.6)	(5.2)
Net cash flow before financing and tax	**1.0**	**2.4**
Net interest received / (paid)	0.0	0.0
Income tax paid	(0.7)	(1.3)
Loan repayments received	0.1	0.0
Loans granted	0.0	(0.3)
Purchase of shares and options	(0.3)	0.0
Purchase of controlled entities, net of cash acquired	0.0	(0.2)
Proceeds from borrowings	0.0	0.0
Repayment of borrowings	(3.1)	(3.0)
IPO and acquisition transaction costs	0.0	0.0
Net cash flow before dividends	**(3.0)**	**(2.4)**
Dividends and distributions paid	(1.6)	(4.8)
Net cash flow	**(4.6)**	**(7.2)**
Cash conversion ratio	-3181%	79%

STATUTORY BALANCE SHEET

$m	31-Dec-17	30-Jun-17
Total current assets	32.2	39.2
Total non-current assets	60.7	88.4
Total assets	**92.8**	**127.6**
Total current liabilities	13.3	21.8
Total non-current liabilities	5.1	7.1
Total liabilities	**18.4**	**28.9**
Net assets	**74.4**	**98.7**
Contributed equity	97.9	95.2
Share based payment reserve	0.7	0.7
(Accumulated losses) / retained profits	(24.2)	2.8
Total equity	**74.4**	**98.7**

GOODWILL IMPAIRMENT OF COMPANY OWNED SALES SEGMENT

Goodwill arising on the acquisition of businesses is measured at cost less accumulated impairment losses. Goodwill is tested at each balance date for impairment.

	$'000
Half Year Ended 31 December 2017	
Consolidated Entity	
Carrying amount at beginning of financial year	53,328
Impairment Losses recognised	(21,800)
Carrying amount at 31 December 2017	31,528

Key metrics in percentage	FY18 H1	FY17 H2
Discount rate (pre-tax)	16.3	13.8
Nominal average revenue growth	3.8	5.9
Terminal value in growth rate	2.5	2.5

	Forecast 5 year average	Change In Key Assumption (Per Annum)	Further Impairment Loss $'000
Key Assumption and Sensitivities			
Sales Agents	217	(5)	(5,137)
Number of Sales per Agent[3]	Not Disclosed	(1)	(13,404)
Price growth on average sale per property[3]	4-5%	(1%)	(8,799)
Average commission of sales price (%)[3]	Not Disclosed	(0.05%)	(7,146)
Growth in operating costs	2%	1%	(5,982)
WACC (Pre-tax)	15.9%	1%	(4,797)

[3]Some key measures, because of the commercial-in-confidence nature of these measures have not been disclosed for competitive reasons.

DISCLAIMER

This presentation has been prepared by McGrath Limited (Company) together with its related bodies corporate (McGrath Group). The material contained in this presentation is intended to be general background information on the McGrath Group and its activities.

The information is supplied in summary form and is therefore not necessarily complete. It 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. 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.

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 Australia Accounting Standards or 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. Managements uses 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. This information is also important for comparative purposes with the use of those measures in the Company's IPO prospectus dated 12 November 2015. 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 this 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 on 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.