

Trading update and FY18 guidance

12 March 2018 - McGrath Limited (ASX:MEA) provides this trading update to the Australian Securities Exchange.

A trading update and guidance was provided by the company on 22 January 2018. Following their appointment at the end of February 2018, the newly appointed Board and CEO have conducted an initial review of the company's accounts and operations that identified that the projected profit momentum from trading and other financial drivers was not currently consistent with the previous guidance provided.

Based on unaudited management accounts year to date, the company has generated an underlying EBITDA for the eight months ended 28 February 2018 of \$720,000 (before \$3.2 million of one-off costs).

Based on this historical performance and the current run rate, McGrath expects to generate underlying EBITDA for the financial year ending 30 June 2018 in the range of \$5.0 million to \$5.5 million. This equates to a reported EBITDA of \$1.0 million to \$1.5 million after approximately \$4 million in expected one-off cash costs excluding any items arising from the balance sheet review to be conducted as part of the normal year end financial statement processes.

Commenting on the company's latest update, CEO Geoff Lucas said: "It is important that the market is aware of the right baseline financial position that appropriately reflects the current status of the McGrath business and trading conditions. The impact of reduced sales volumes has affected the company more significantly than the prior forecast contemplated. We are pleased that this period is behind us, and are encouraged by current activity levels generating improved results.

"At the core of the McGrath business is a high quality and well respected real estate agency with a market leading position. The new Board and CEO are harnessing the capacity and skills of the existing management team which has injected a revitalised energy into the business and we are encouraged by the support, enthusiasm and momentum of team members.

"The cost cutting program put in place late last year is starting to generate the financial benefits expected, and we are seeing an uplift in performance so far this month, with expectations of continued rebuilding to the end of this financial year."

A refocused strategic plan to return the company to growth is being developed by the Board and management team, and is centred on three key initiatives:

- 1) Implementation of the right corporate office structure to generate further efficiencies and better support the McGrath network
- 2) Recruitment of new high quality franchisees and agents into the McGrath network
- 3) Continued rollout of industry leading training and development, and systems, to consolidate McGrath's position as the property sector's leading provider of customer service and results for clients.

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For further information, please contact:

Investors:

Geoff Lucas
CEO
(02) 9386 3333

Media:

Tim Allerton
City PR
0412 715 707

Terri Sissian
McGrath
0419 881 414

About McGrath:

McGrath Limited (ASX:MEA) has grown to be an integrated real estate services business, offering agency sales, property management, mortgage broking and career training services. McGrath Estate Agents currently has 95 offices located throughout the East Coast of Australia. For further information, visit www.mcgrath.com.au.