



Peter Lewis, Chair
Geoff Lucas, CEO

McGrath

McGrath Limited 2018 Annual General Meeting and Trading Update

Friday 23 November 2018

191 New South Head Road, Edgecliff NSW

FY18

UNDERLYING EBITDA OF \$5M

ACHIEVED GUIDANCE AND REFLECTS CHALLENGING
MARKET CONDITIONS

UNDERLYING EBITDA \$5M, ACHIEVED GUIDANCE

Statutory \$m	FY18	FY17	% Change
Revenue	99.2	129.4	(23%)
EBITDA	1.0	15.6	(93%)
(NLAT) / NPAT	(63.1)	4.9	n/a
Cash	10.9	8.0	37%
Underlying \$m	FY18	FY17	% Change
Revenue	99.6	129.0	(23%)
EBITDA	5.0	15.3	(67%)
(NLAT) / NPAT	(1.5)	4.6	(132%)

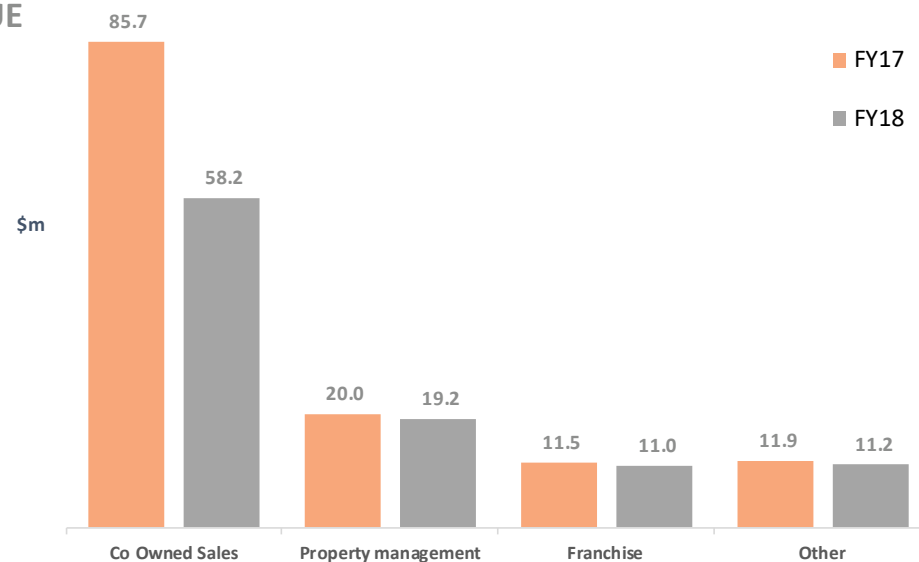
- Difficult market conditions impacted results
- **Revenues**
 - Impacted by lower number of agents
 - Challenging market conditions impacting listings
 - Net decline in offices, particularly within the Franchise network
 - Slowdown in the Project Marketing business with tightening regulatory conditions impacting investment demand¹
 - Properties under management in Company Owned network lower
- **Underlying EBITDA of \$5m achieved guidance**
 - Company Owned Sales segment main contributor to decline
 - Additional McGrath Future costs (\$1.6m) ²
- **Net Loss After Tax**
 - Adversely impacted by \$59.4m impairment predominately relating to the Company Owned network (refer slide in appendix)

1. Source: CoreLogic, APRA

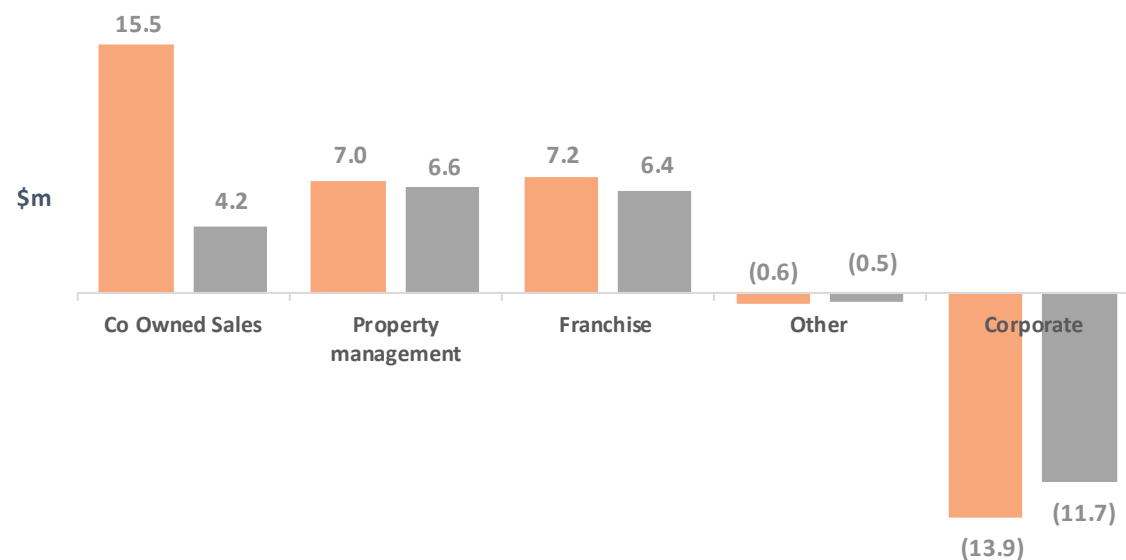
2. Includes additional costs of McGrath Future in 1H2018 due to the program launching in January 2017

UNDERLYING REVENUE AND EBITDA BY SEGMENT

REVENUE



EBITDA



• Co Owned Sales

- Decline in agent numbers in FY17 and 1H2018. Net growth in agents in the fourth quarter with focus on developing and retaining high performing agents
- Slowdown in Project Marketing. Business has been 'right-sized' for the current market
- Transfer / Closure of 2 offices to enhance earnings

• Co Owned Property Management

- Lower number of properties under management (PUM) impacting earnings
- New lean team structure implemented focussing on churn reduction

• Franchise

- Franchise fees in line with prior year
- 2 grant fee signings, lower than prior year. Renewed focus on improving the Franchise offering and growing the network
- Net reduction of 5 offices, including 1 transfer from Co Owned Sales

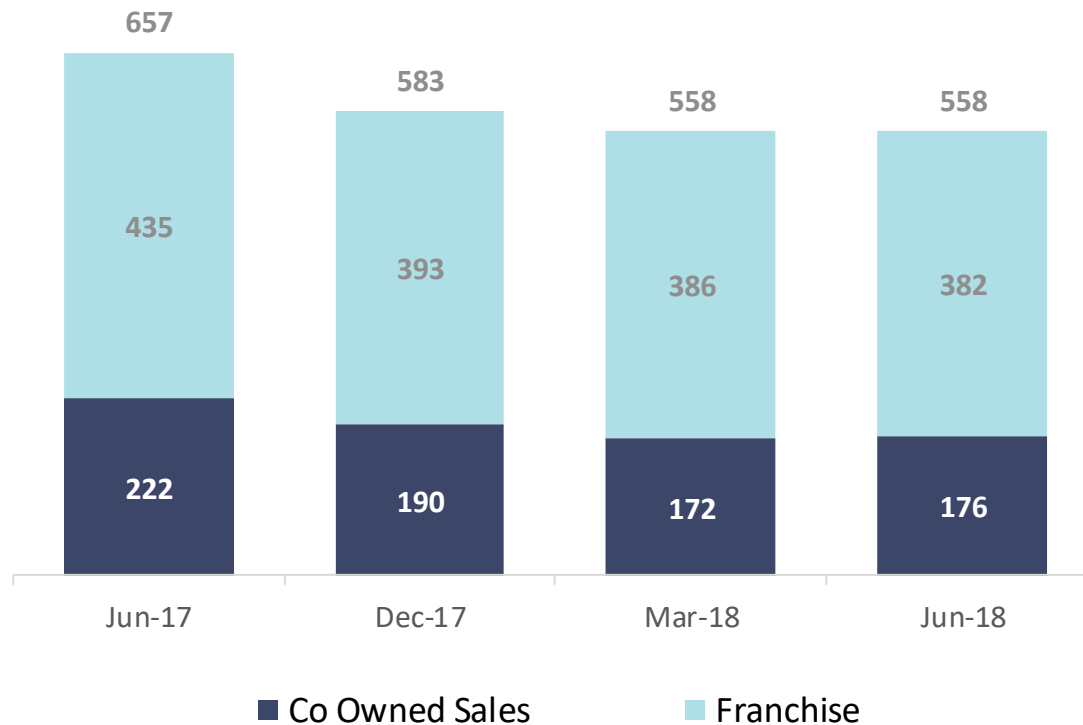
• Other segment

- Reduction in agents and difficult market conditions had a flow on impact to Oxygen and Auction Services' revenue

• Corporate

- Reduction reflects benefit of restructure

AGENT NUMBERS STABILISED, WITH COMPANY OWNED SALES CHANNEL RETURNING TO GROWTH IN FOURTH QUARTER



- Total agent numbers consistent from third quarter to fourth quarter with gains in the Company Owned network offset by departures in the Franchise network.
- Continued focus on
 - Talent identification
 - Developing and retaining high performing and emerging agents
 - Conversion of strong recruitment pipeline
- 27 of top 100 agents work for McGrath¹, 3 times more than any other brand

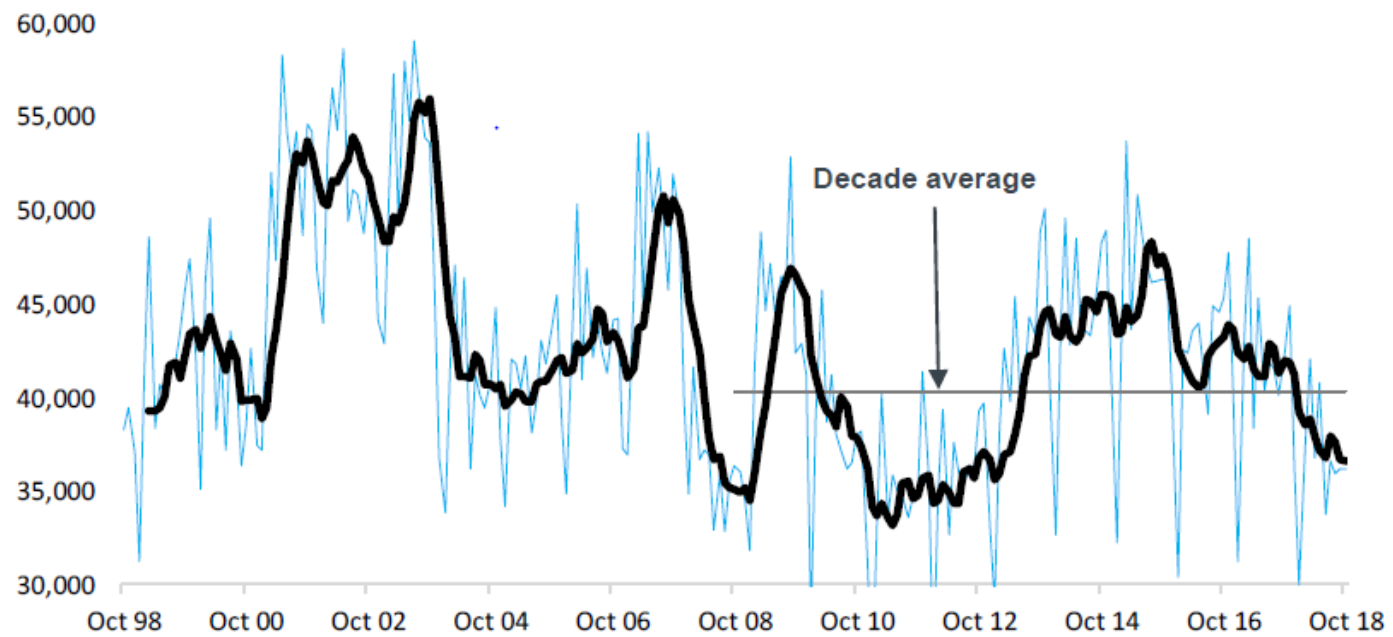
1. Real Estate Business: Top 100 Ranking June 2018

TRADING UPDATE

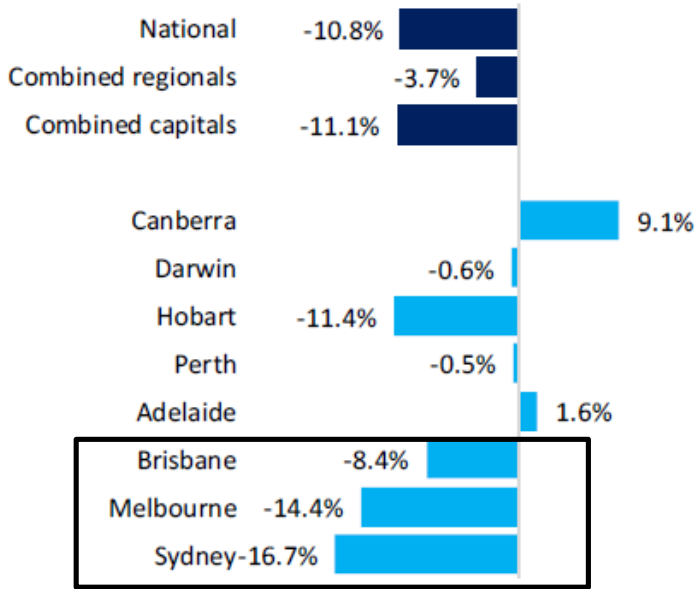
- In the early months of FY19, the following market factors have generally impacted the real estate market across Australia:
 - Auction clearance rates and the number of properties taken to auction are at levels well below the previous year
 - There has been an increase in the level of stock currently on the market with lower buyer activity, resulting in homes taking longer to sell and price reductions across the sector
 - In the 12 months to October 2018, the number of settled sales in the Sydney, Melbourne and Brisbane markets generally have fallen 16.7%, 14.4% and 8.4% respectively
- On 23rd October 2018, McGrath Limited (ASX: MEA) provided a trading update in light of the market factors for the financial year to date and analysis of the Company's performance for the three months ending 30 September 2018
- Consistent with the previous announcement, McGrath continues to expect a materially smaller loss in the second quarter of FY19 than the \$1.9 million EBITDA loss (unaudited) for the first quarter.
- In relation to the results for FY19, McGrath continues to expect EBITDA to be in at least a breakeven position

MARKET TRANSACTION NUMBERS LOWER THAN A YEAR AGO DUE TO SIGNIFICANT FALLS IN SETTLED TRANSACTIONS ACROSS THE 3 LARGEST CITIES

Monthly sales with six month moving average, National



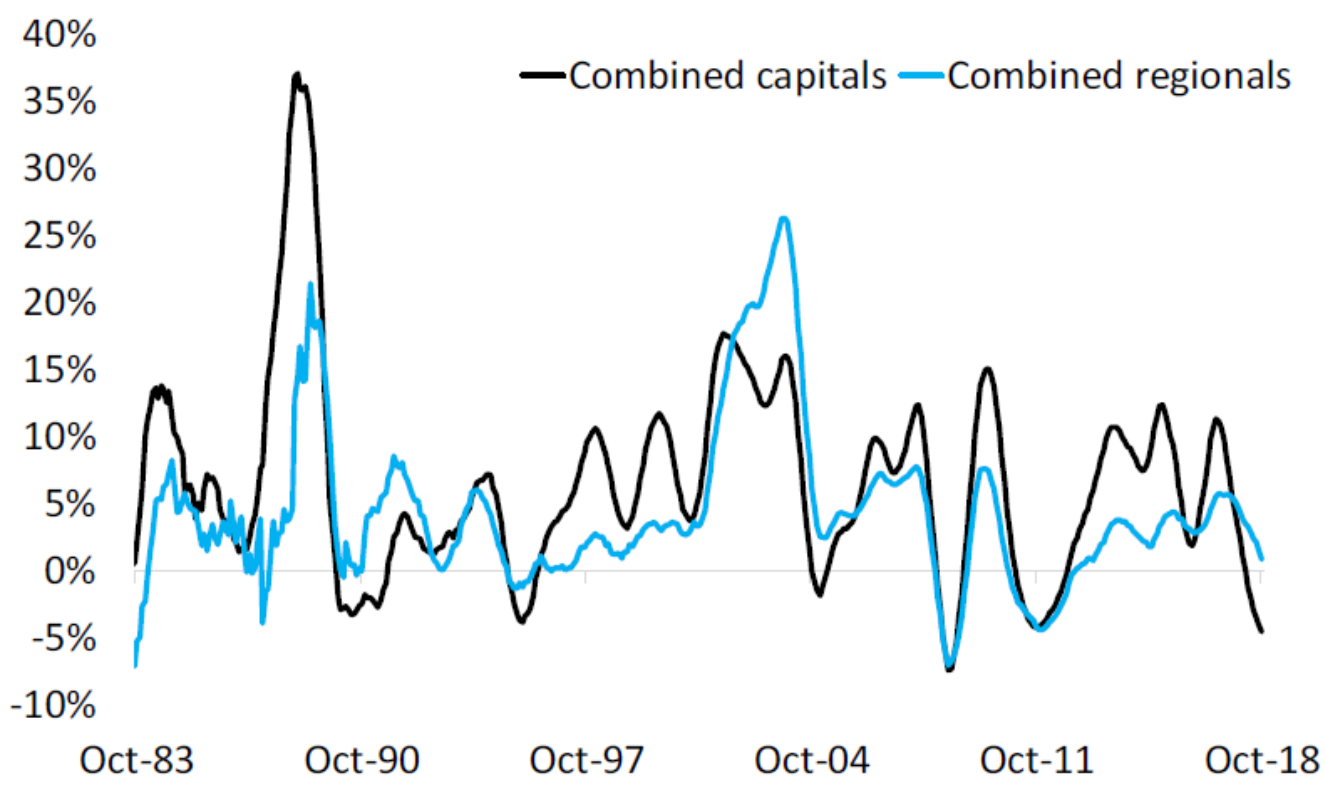
Year on year change in settled sales



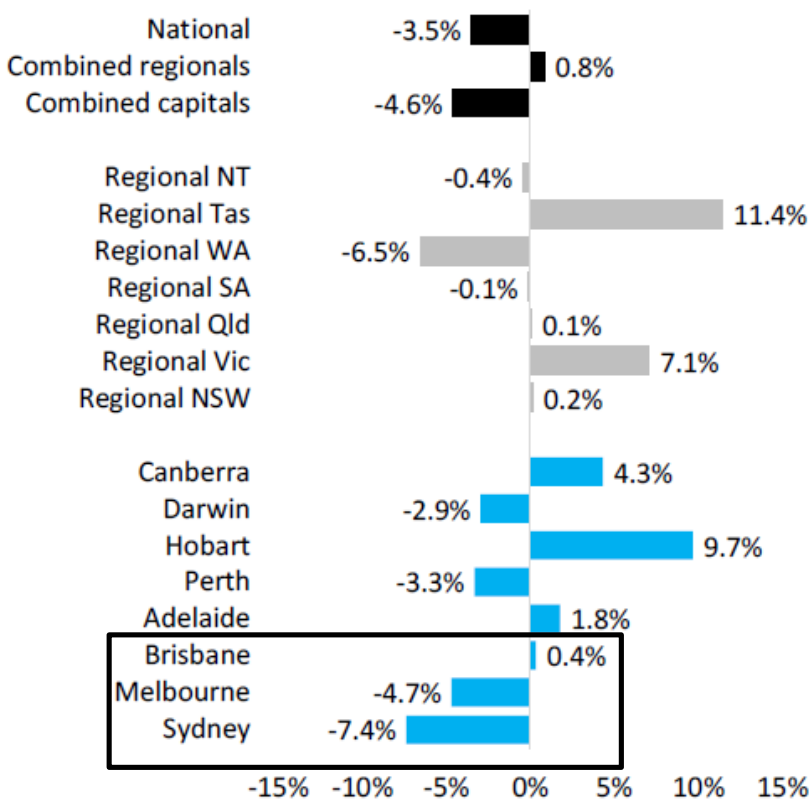
Note the sales volumes are modelled based on historic levels of revision however, they are still subject to revision. Furthermore, sales volumes do not account for off-the-plan purchases which upon completion are counted as sales at their contract date.
Source: CoreLogic

MARKET DATA REFLECTS VALUE GROWTH HAS SLOWED OVER THE PAST YEAR WITH MORE ACCELERATED DECLINE IN CAPITAL CITIES

Annual change in dwelling values



Annual change in dwelling values to Oct-18



KEY PRIORITIES AND OUTLOOK FOR FY19

- **FY19 outlook**

- Challenging market conditions expected to continue
- Despite a tighter cycle, a quality brand, skills and experience are crucial with McGrath well placed in this environment
- Tougher financing conditions continuing

- **FY19 key priorities**

- Focus on learning and development initiatives and data technology improvements to enhance the agent and vendor experience
- Continue to grow our annuity businesses in particular Property Management, Franchise and Oxygen
- Office growth with a focus on the Eastern seaboard predominately in the Franchise network
 - Grow agent network with focus on improving agent productivity
 - Convert strong agent recruitment pipeline
- Retain high performing agents
- Assessment of select acquisition opportunities

McGRATH CONTACTS ASSOCIATED WITH THIS PRESENTATION

Geoff Lucas

Chief Executive Officer

Glynn Wright

Chief Financial Officer

Terri Sissian

Communications Director

Investor Centre Contact Details:

Phone

+61 2 9386 3333

Email

InvestorCentre@mcgrath.com.au

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.

Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. The Company assumes no obligation to update or revise such information to reflect any change in expectations or assumptions. The inclusion of forward looking statements in this presentation should not be regarded as a representation, warranty or guarantee with respect to its accuracy or the accuracy of the underlying assumptions or that the Company will achieve, or is likely to achieve, any particular results.

Neither the Company, nor its related bodies corporate, directors, officers, employees, agents, contracts, consultants or advisers (Related Persons) makes or gives any representation, warranty or guarantee, whether express or implied that the information contained in this presentation is complete or accurate or that it has been or will be independently verified. To the maximum extent permitted by law, the Company and its Related Persons expressly disclaim any and all liability for any loss or damage suffered or incurred by any other person or entity however caused and whether or not foreseeable, relating to or resulting from the receipt or use of the information or from any errors in, or omissions from, this presentation. No person, including the Company and its Related Persons, accepts any obligation to update this presentation or to correct any inaccuracies or omissions in it which may exist or become apparent.