



McGrath Limited (ASX: MEA) 24 February 2016

Results for the six months ended 31 December 2015

John McGrath, CEO

Geoff Lucas, COO

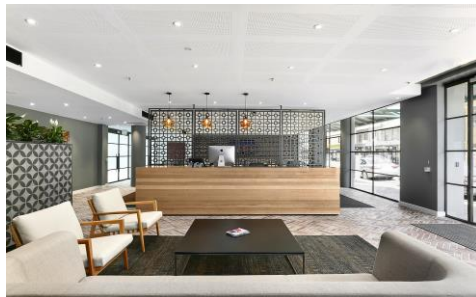
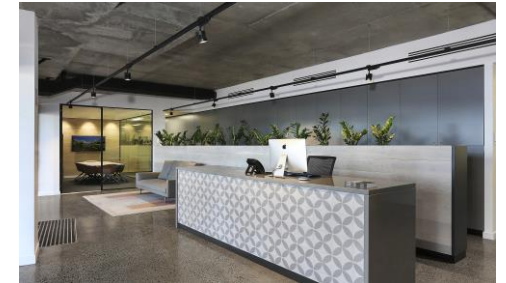
Paul Hauenschild, CFO

1H16 – A SNAPSHOT

AGENTS UP
↑
59 TO
624



ACQUIRED
SMOLLEN
GROUP



OFFICES UP
↑
11 TO
78

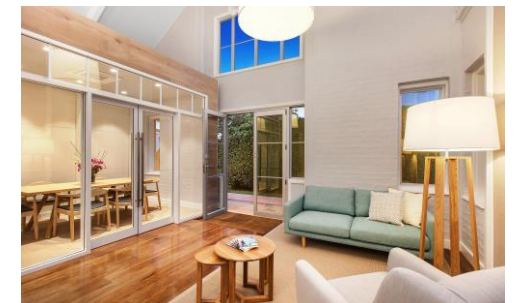


REVENUE UP
↑
25% TO
\$74.9M

EBITDA UP
↑
13% TO
\$14.7M



NPAT UP
↑
13% TO
\$8.5M



Currently on track to meet FY16 Prospectus Forecasts

Note: Financial performance above compares 1H16 pro forma vs 1H15 pro forma results



1. **A busy six months**
2. Growth across key financial metrics
3. Strategic growth and outlook

DELIVERING TO PLAN OVER 1H16...

- Listed on ASX on 7 December 2015
- Continued to grow market share, with number of listings and value of properties sold growing substantially above market¹
- Number of sales up 15% to 6,492
- Properties under management up 28% to 7,648
- Continuing to recruit and retain high quality agents
 - agent numbers up 59 (10%) to 624
- Acquired Smollen Group, with integration progressing well
- Opened 11 new offices (1 company owned and 10 franchise)
 - first office opened in Melbourne (St Kilda) in December 2015

1. Source: McGrath management estimates derived from published sales in data available to McGrath management where an agent was recorded in that data. See further breakdown on Slide 11.

... DRIVES PRO FORMA GROWTH

- Statutory results (include IPO costs)
 - Revenue up 33% to \$54.3m
 - EBITDA down 37% to \$2.7m
 - NPAT down 82% to \$0.4m
- Pro forma results (best measure of underlying business performance)
 - Revenue up 25% to \$74.9m
 - EBITDA up 13% to \$14.7m
 - NPAT up 13% to \$8.5m
- No debt, with \$14m cash and an undrawn \$11.5m term facility



1. A busy six months
2. **Growth across key financial metrics**
3. Strategic growth and outlook

GROWTH ACROSS KEY FINANCIAL METRICS

Pro forma profit and loss summary¹

December half year end, A\$m	1H16	1H15	% Change
Total revenue	74.9	59.8	25%
Cost of sales	(30.8)	(23.8)	29%
Gross Profit	44.1	36.0	23%
Employee benefits expenses	(17.2)	(14.1)	22%
Other expenses	(12.2)	(9.0)	36%
EBITDA	14.7	13.0	13%
Depreciation	(0.7)	(0.5)	40%
Amortisation	(1.7)	(1.7)	0%
EBIT	12.3	10.8	14%
Net finance costs	0.0	0.1	-100%
Net profit before tax	12.3	10.9	13%
Tax expense	(3.8)	(3.4)	12%
NPAT	8.5	7.5	15%
Add: Acquired Property Management Rights Amortisation	1.4	1.3	8%
NPATA	9.9	8.8	13%

- Pro forma results provide best measure of underlying business performance given IPO costs
- Revenue up 25% to \$74.9m
 - Total sales up 15%
 - Average sales price up 7%
 - Properties under mgt up 28%
 - Oxygen settlements up 41%
- EBITDA up 13% to \$14.7m
 - Investing for growth including increased occupancy, IT and travel costs
- NPAT up 13% to \$8.5m

¹ See slide 25 & 26 for reconciliation of statutory to pro forma results

STABLE OPERATING CASH FLOW

Cash flow summary

A\$m	1H16	1H15
NET CASH INFLOW FROM OPERATING ACTIVITIES	2.9	3.5
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(31.4)	(1.8)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	39.7	(1.4)
Net increase /(decrease) in cash and cash equivalents	11.2	0.3
Cash and cash equivalents at the beginning of the financial year	2.8	3.9
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14.0	4.2

- Significant cash flow movements
 - (\$29m) Smollen acquisition and purchase of McGrath Auction Unit Trust (net of cash acquired)
 - \$66m Proceeds raised from the issue of new share capital under IPO
 - (\$16m) Repayment of borrowings utilised to acquire property management rights
 - (\$11m) Payment of IPO and acquisition transaction costs
 - (\$11m) Dividend paid relates to FY15

STRONG BALANCE SHEET – NO DEBT + \$14M CASH

Statutory and pro forma balance sheet

A\$ in millions	Statutory		Pro forma
	31 Dec 2015	30 Jun 2015	30 Jun 2015
Total current assets	43.4	25.7	29.6
Total non-current assets	87.0	12.4	86.1
Total assets	130.4	38.1	115.8
Total current liabilities	29.2	15.1	12.3
Total non-current liabilities	14.0	8.6	20.9
Total liabilities	43.2	23.8	33.5
Net assets	87.2	14.3	82.3
Contributed equity	91.1	6.3	91.9
Retained profits / (accumulated losses)	(3.9)	8.0	(9.6)
Total equity	87.2	14.3	82.3

- As a result of the acquisition of Smollen Group:
 - \$53.9m in goodwill and \$16m in property management rights were recognised as intangible assets on the balance sheet
 - Deferred consideration of \$14.9m has been recognised as a current and non current liability and is to be settled on a 50:50 cash and equity split
- Repaid previous debt facility using proceeds from IPO raising
- \$14.0m cash on balance sheet at 31 Dec 15
- Entered into a debt facility agreement for \$11.5m – three year term expiring November 2018; currently undrawn



1. A busy six months
2. Growth across key financial metrics
3. **Strategic growth and outlook**

REAL ESTATE SECTOR OUTLOOK

Short term challenges... market softened late CY2015

- APRA regulatory changes
- Slowdown in Chinese buying activity
- Stock market volatility impacting near term confidence
- Concerns about possible changes to negative gearing

Long term fundamentals remain positive

- Historic low interest rates
- Underlying demand driven by continued population growth in major capitals led by Sydney, Melbourne and Brisbane
- Despite APRA regulatory changes, the volatility in equities and other asset classes will continue to attract investors to the safety of 'bricks & mortar'

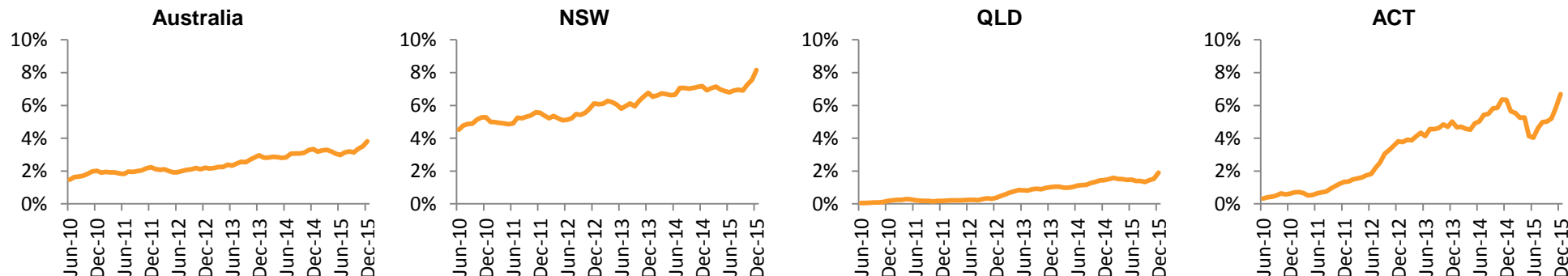
MCGRATH GROWING MARKET SHARE

Market share by Sales Value between 31 Mar 2015 and 30 Nov 2015

- McGrath's market share grew in each of our key regions

McGrath market share	31 Mar 15	30 Nov 15
National	3.2%	3.4%
NSW	7.2%	7.4%
ACT	1.3%	1.4%
QLD	5.4%	6%

McGrath market share by value over time (six month rolling average)



Market share by Listings 12 months to 17 Jan 2016

- New listings across the market reduced by -1%
- McGrath's new listings grew by 21%, with same office listings growth of 11%

Source: McGrath management estimates derived from published sales in data available to McGrath management where an agent was recorded in that data. Total market value of residential property sales over time derived from CoreLogic Data.

FOUR GROWTH PILLARS

1. INCREASE AGENTS & PRODUCTIVITY INSIDE EXISTING FOOTPRINT

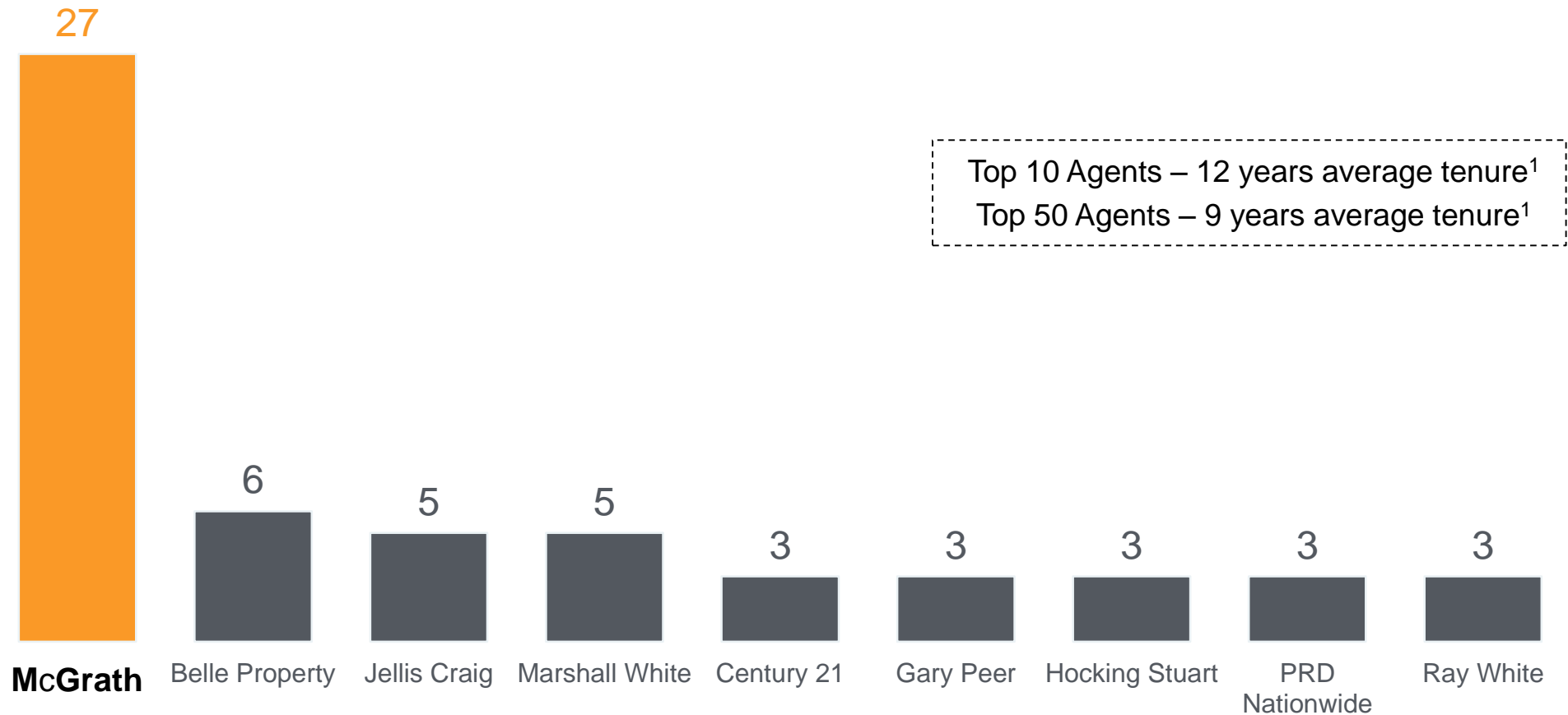
2. RAPID ORGANIC ROLLOUT OF NEW OFFICES

3. STRATEGIC ACQUISITIONS

4. GROW PROPERTY MANAGEMENT & HOME LOANS

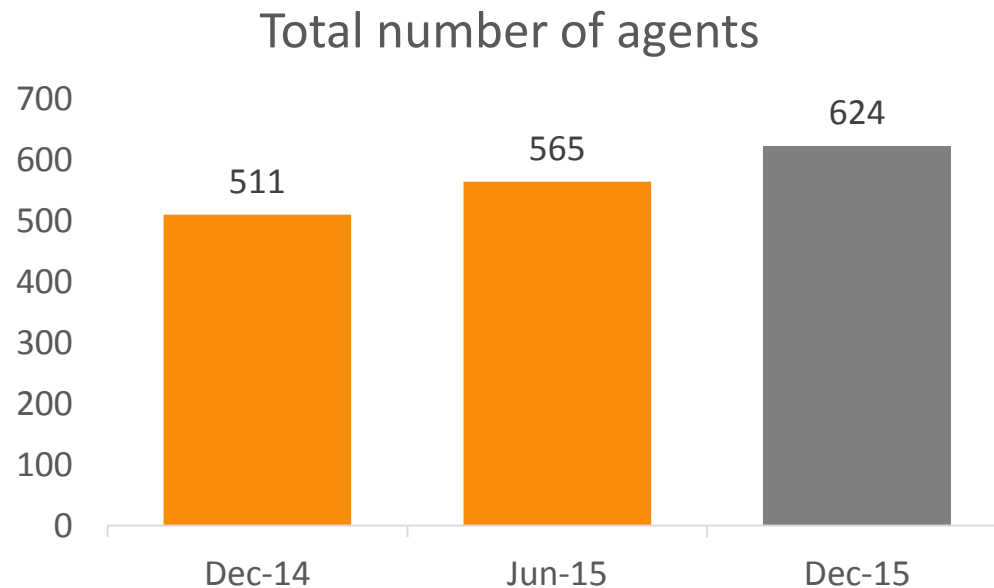
1. McGRATH BRAND IS ATTRACTIVE TO HIGH PERFORMING AGENTS

Real Estate Business' Top 100 Agents in Australia 2015



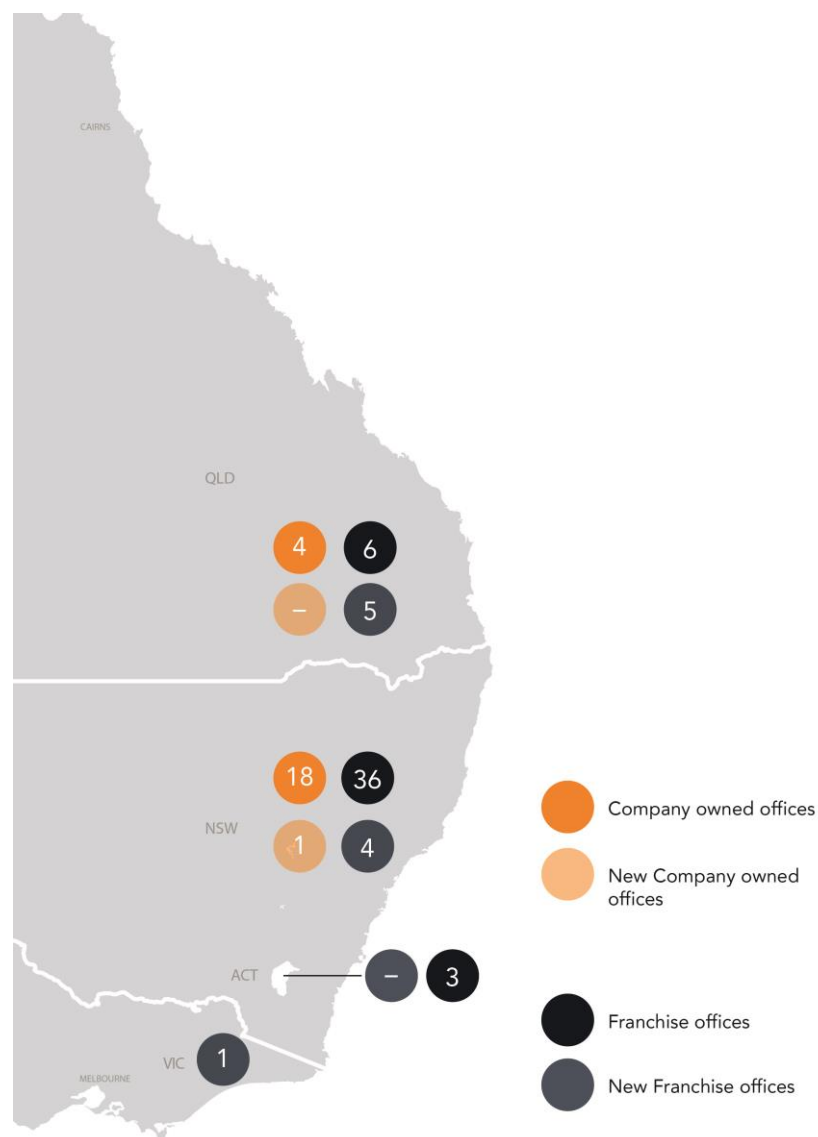
Source: Real Estate Business Online Top 100 Brokers 2015; Real Estate Business is a trade magazine that publishes an annual, self nominated rating of the top 100 agents in Australia with agents marked on a number of criteria including sales volume, number of sales and average sales price. Note ¹ Top performing agents within the McGrath network measured by total value transacted in FY15A

1. INCREASING AGENTS



- Strong, ongoing focus on talent identification and the recruitment of agents
 - Attracting existing agents from competitors
 - Internal talent development
- During 1H16, expanded the internal talent development team through the addition of 4 staff focusing on recruitment and retention of talent
- Over 1H16, agent numbers increased by a total of 59 to 624
- New agents typically take an average of 4-6 months to reach required productivity given sales cycle

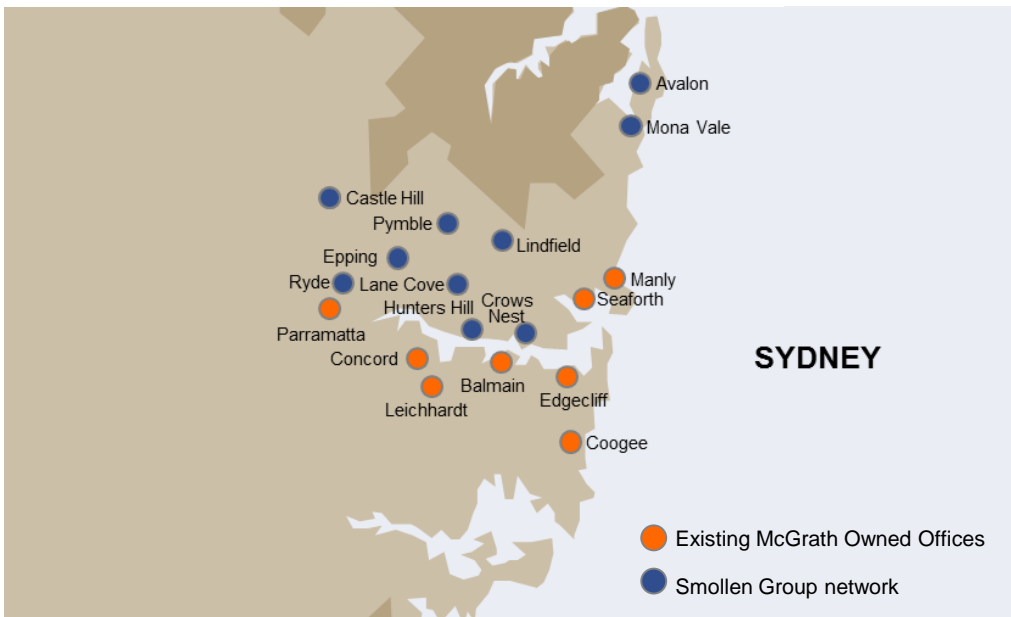
2. ELEVEN NEW OFFICES OPENED IN 1H16



- Opened 11 new offices
 - 1 company owned and 10 franchise
 - First office in Melbourne (St Kilda) opened in Dec 2015
- In 2H16 opened 4 additional offices
 - A second franchise office in Victoria
 - A company owned office and a franchise office in Queensland
 - Another franchise office in NSW (Liverpool)
- On track to deliver between 4-6 Melbourne offices by 30 June 2016
 - Mount Waverley opened in Jan 2016
 - Plan to open a company owned Melbourne head office this calendar year
- Further office openings planned for the coming months

3. STRATEGIC ACQUISITION: SMOLLEN GROUP

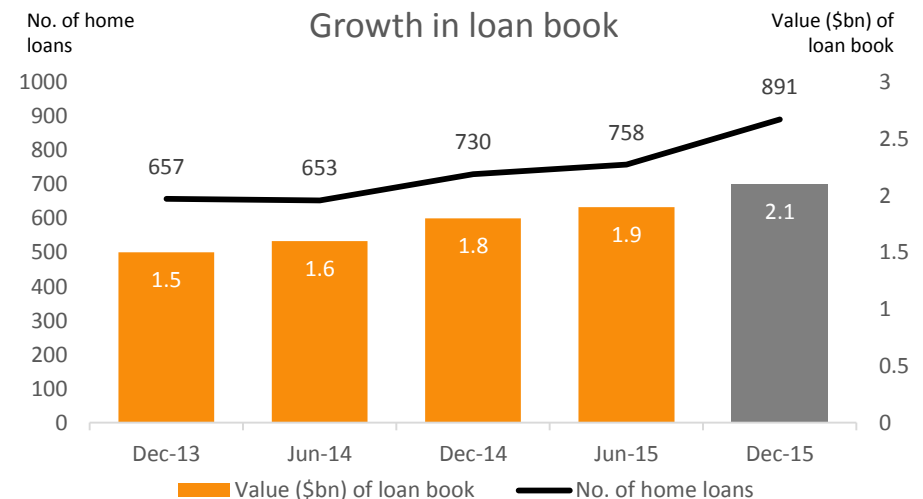
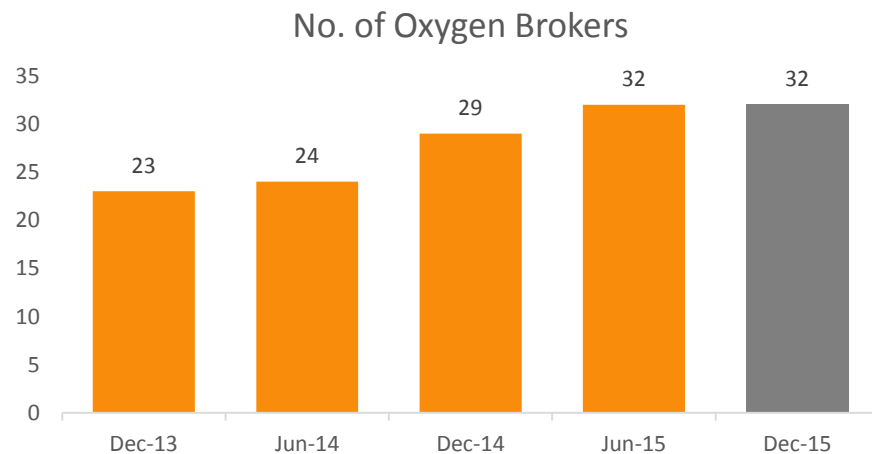
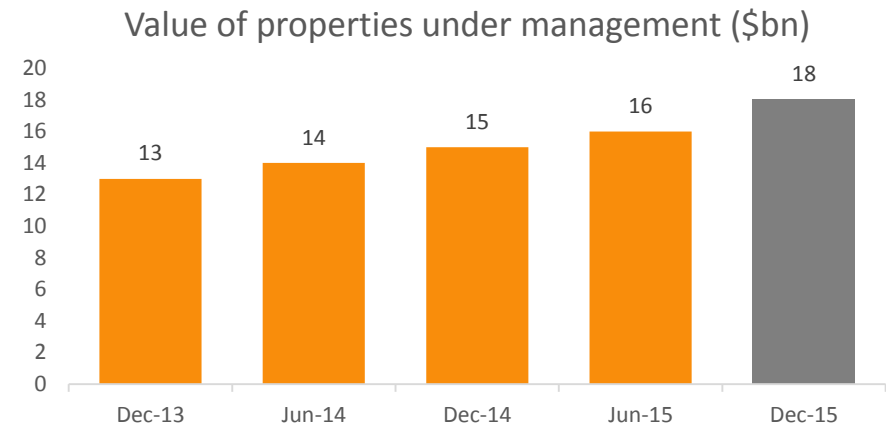
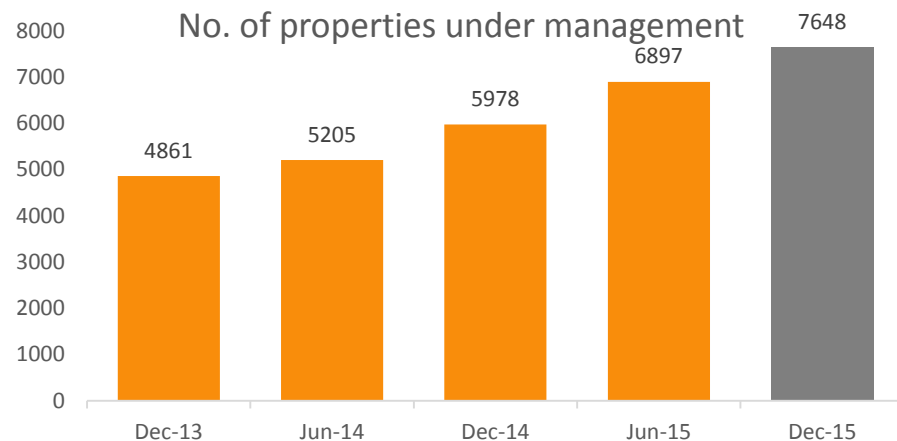
Smollen Group increases exposure to Sydney's growth corridor



- Successfully completed the acquisition of the Smollen Group (10 offices)
- Integration progressing well
 - Shane Smollen working across the entire business
 - Smollen Sales Managers reporting successfully to Sales Director
 - Finance and HR being integrated
 - Operations reporting to Office of CEO

- Had a concentration of offices benefitting from Chinese buyers, the number of which substantially decreased pre-Christmas... this is affecting near term performance
- Earn-out ensures appropriate value is paid for business based on achievement of growth targets
- \$14.9m liability included in balance sheet vs \$17.5m potential earn-out to take into account risk adjusted time value of this potential payment

4. GROWING PROPERTY MANAGEMENT AND HOME LOANS



Note: Pro forma numbers reflected in data

KEY OPERATIONAL PRIORITIES FOR 2H16

- Further targeted agent recruitment utilising High Performance Agent equity incentive scheme
- Continue to open additional offices down the East Coast of Australia
- Completion of integration of Smollen business
- Continue to review strategic acquisitions and pursue those that are compatible and add shareholder value
- Rollout of new operational and CRM technology platform to increase agent efficiencies and increase the attraction of external agents to the McGrath brand

OUTLOOK FOR 2H16

- Historically 2H has delivered approx. 55% of FY earnings
- Positive benefits within our control during 2H include:
 - Higher agent numbers
 - Increased listings
 - Additional offices coming online
 - AREC Conference
- Challenging market conditions due to short term industry uncertainty are outside of our control
 - APRA regulatory changes
 - Slowdown in Chinese buying activity
 - Stock market volatility impacting near term confidence
 - Concerns about possible changes to negative gearing

OUTLOOK FOR 2H16 (cont'd)

- Currently on track to achieve FY16 Prospectus forecasts subject to challenging market conditions
 - May impact ability to achieve Prospectus forecasts; but also
 - Creates additional opportunities to pursue strategic growth initiatives
- Continue to invest in the business to build long term shareholder value, notwithstanding short term industry uncertainty
- Board's intention towards dividends
 - Maiden full year dividend of approx. 4.5cps franked to the maximum extent possible
 - Target payout ratio of between 40% to 60% of NPATA (may vary between periods and be a function of a number of factors)

IN SUMMARY...

- Listed on ASX in December 15
- 1H16 delivered strong growth across key pro forma financial metrics
- Currently on track to achieve FY16 Prospectus forecasts
- Intention is to pay a final FY16 dividend of 4.5cps franked to maximum extent possible

Questions

Appendix

STATUTORY RESULT

Profit and loss summary

December half year end, A\$m	1H16	1H15	% Change
Total revenue	54.3	40.8	33%
Cost of sales	(20.7)	(18.7)	11%
Gross Profit	33.6	22.1	52%
Employee benefits expenses	(14.5)	(11.0)	32%
Other expenses	(16.4)	(6.8)	141%
EBITDA	2.7	4.3	-37%
Depreciation	(0.6)	(0.5)	20%
Amortisation	(0.5)	(0.4)	25%
EBIT	1.6	3.4	-53%
Net finance costs	(0.2)	(0.2)	0%
Net profit before tax	1.4	3.2	-56%
Tax expense	(1.0)	(1.0)	0%
NPAT	0.4	2.2	-82%
Add: Acquired Property Management Rights Amortisation	0.5	0.3	67%
NPATA	0.9	2.5	-64%

STATUTORY BRIDGE TO PRO FORMA – NPAT BRIDGE

December half year end, A\$m	Stat / Pro Forma	1H16	1H15
Total revenue	Statutory	54.3	40.8
<i>Pro Forma Adjustments:</i>			
Smollen Acquisition		20.6	19.0
Total revenue	Pro Forma	74.9	59.8
Cost Of Sales	Statutory	(20.7)	(18.7)
<i>Pro Forma Adjustments:</i>			
Smollen Acquisition		(10.0)	(8.9)
Payroll Tax Assessment		0.0	3.9
Cost Of Sales	Pro Forma	(30.8)	(23.8)
Employee benefits expenses	Statutory	(14.8)	(11.0)
<i>Pro Forma Adjustments:</i>			
Smollen Acquisition		(2.4)	(3.1)
Rem Structure		0.0	0.0
Employee benefits expenses	Pro Forma	(17.2)	(14.1)
Other expenses	Statutory	(16.1)	(6.8)
<i>Pro Forma Adjustments:</i>			
Smollen Acquisition		(2.9)	(2.0)
Rem Structure		0.0	0.0
Listing Costs		0.0	(0.2)
Transaction & Acquisition Costs		6.8	0.0
Other expenses	Pro Forma	(12.2)	(9.0)

December half year end, A\$m	Stat / Pro Forma	1H16	1H15
Depreciation	Statutory	(0.3)	(0.2)
<i>Pro Forma Adjustments:</i>			
Smollen Acquisition		(0.4)	(0.3)
Depreciation	Pro Forma	(0.7)	(0.5)
Amortisation	Statutory	(0.8)	(0.7)
<i>Pro Forma Adjustments:</i>			
Smollen Acquisition		(0.9)	(1.0)
Amortisation	Pro Forma	(1.7)	(1.7)
Net Finance Costs	Statutory	(0.2)	(0.2)
<i>Pro Forma Adjustments:</i>			
Existing Co - No Debt		0.2	0.2
Net Finance Costs	Pro Forma	0.0	0.1
Tax Expense	Statutory	(1.0)	(1.1)
<i>Pro Forma Adjustments:</i>			
Tax Effect - Smollen Acquisition		(1.3)	(1.5)
Tax Effect - Non deductible Acquisition Costs		(1.5)	0.0
Tax Effect - OSR Payment		0.0	(0.8)
Tax Expense	Pro Forma	(3.8)	(3.4)

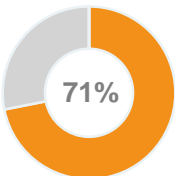
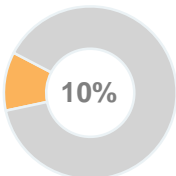
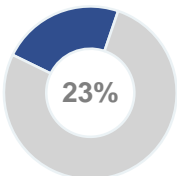
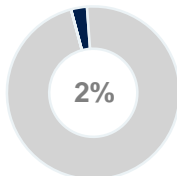
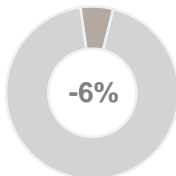
STATUTORY BRIDGE TO PRO FORMA – NPAT BRIDGE CONTD.

December half year end, A\$m	Stat / Pro Forma	1H16	1H15
Add Back: Acquired PM Rights Amortisation	Statutory	(0.5)	(0.3)
<i>Pro Forma Adjustments:</i>			
Smollen Acquisition		(0.9)	(1.0)
Acquired PM Rights Amortisation	Pro Forma	(1.4)	(1.3)
NPATA	Statutory	0.8	2.5
<i>Pro Forma Adjustments:</i>			
Smollen Acquisition		3.9	3.7
Payroll Tax Assessment		0.0	3.9
Rem Structure		0.0	0.0
Listing Costs		0.0	(0.2)
Transaction & Acquisition Costs		6.8	0.0
Existing Co - No Debt		0.2	0.2
Tax Effects		(2.8)	(2.3)
Add Back: Acquired PM Rights Amortisation		(0.9)	(1.0)
NPATA	Pro Forma	9.8	8.8

CASH FLOW

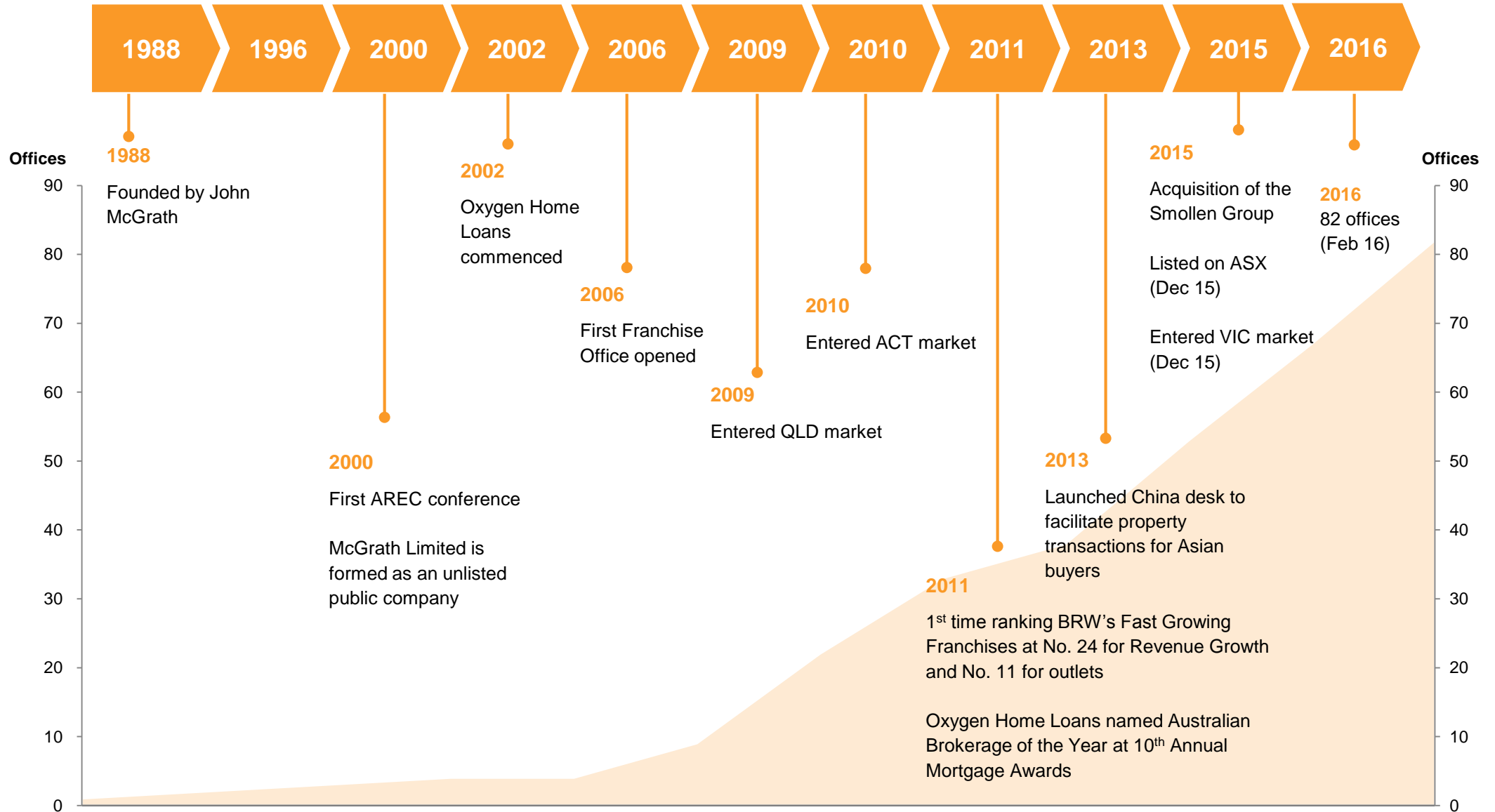
December half year end, A\$m	1H16	1H15
Receipts from customers	56.4	41.8
Payments to suppliers and employees	(51.1)	(36.9)
Interest paid	(0.2)	(0.2)
Interest received	0.0	0.1
Income tax paid	(2.2)	(1.4)
NET CASH INFLOW FROM OPERATING ACTIVITIES	2.9	3.4
Purchase of controlled entities, net of cash acquired	(29.1)	0.0
Purchase of property, plant and equipment	(2.7)	(1.0)
Purchase of intangibles	(1.2)	(1.1)
Loans granted	(0.5)	(1.1)
Loan repayments received	2.1	1.4
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(31.4)	(1.8)
Proceeds from issue of share capital	66.1	1.3
Proceeds from borrowings	9.0	0.7
Repayment of borrowings	(15.4)	(0.4)
Payment of IPO related transaction costs expensed	(8.4)	0.0
Payment of IPO transaction costs recognised in equity	(3.5)	0.0
Repayment of finance lease principal	(0.5)	(0.4)
Dividends paid	(11.0)	(2.5)
Distribution paid	(0.1)	0.0
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	39.7	(1.3)
Net increase /(decrease) in cash and cash equivalents	11.2	0.3
Cash and cash equivalents at the beginning of the financial year	2.8	3.9
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14.0	4.2

BUSINESS OVERVIEW BY SEGMENT

	Company Owned		Franchise Services	Mortgage Broking	Training and Other
	Sales	Property Management			
1H16 Pro forma Contribution ¹ / Margin	 <p>71%</p> <p>28% margin</p>	 <p>10%</p> <p>24% margin</p>	 <p>23%</p> <p>69% margin</p>	 <p>2%</p> <p>11% margin</p>	 <p>-6%</p> <p>-30% margin</p>
Overview ²	<ul style="list-style-type: none"> • 23 Company Owned Offices • Network of 269 agents • 2,866 property sales (1H16) • \$3.9 billion value of property sales (1H16) • Generates revenue by charging the vendors of residential property a commission for successfully selling a property 	<ul style="list-style-type: none"> • Network of 64 property managers • 7,648 properties under management as at 31 Dec 2015 • Churn rate of ~19.7%³ • Generates revenue through management and leasing fees 	<ul style="list-style-type: none"> • Partners with 35 franchise groups operating 55 McGrath branded offices • Network of 336 agents • ~130 property managers (1H16) • 17,883 properties under management as at 31 Dec 2015 • 3,626 property sales (1H16) • \$3.2 billion value of property sales (1H16) • Franchise fees are largely consistent across the network 	<ul style="list-style-type: none"> • Network of 32 brokers • ~\$2.1 billion of loans under management • 891 mortgages settled (1H16) • \$452 million value of loans settled (1H16) • McGrath and non-McGrath generated referrals • Generates up front and trailing revenue from each loan 	<ul style="list-style-type: none"> • Training McGrath organises and operates a number of industry leading residential real estate conferences in Australia • Auction Services – McGrath's team of approximately 28 dedicated auctioneers conduct auctions for the network

Note: ¹ Contributions may not sum to 100% due to rounding; includes the impact of the Acquisition; ² Data as at 31 December 2015 unless otherwise stated; ³ 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

COMPANY HISTORY



SMOLLEN GROUP ACQUISITION OVERVIEW

Transaction overview and rationale

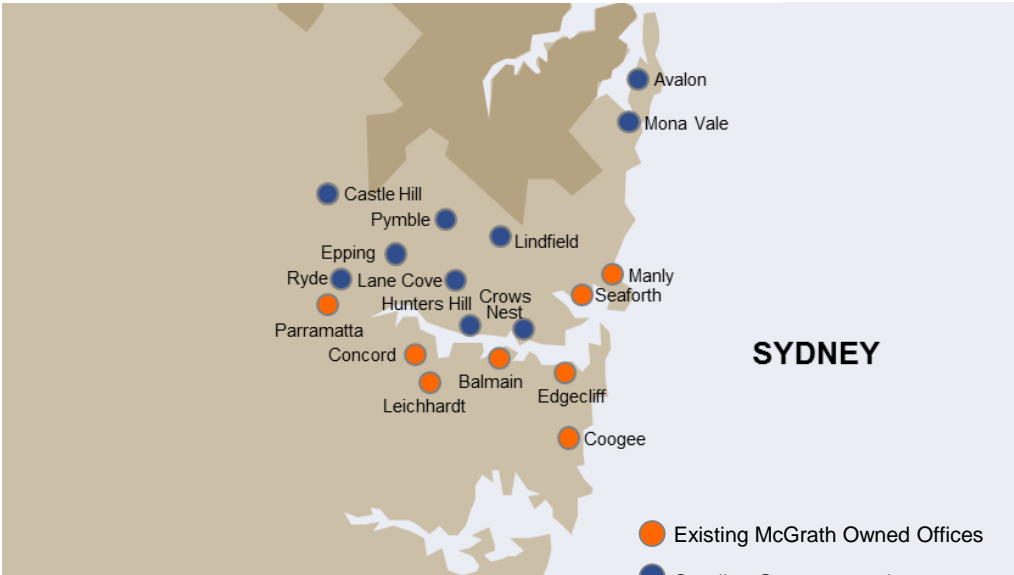
- 1 Large, high quality business that was already part of the McGrath family
 - 2 Track record of financial and operational growth over a long period of time
 - 3 Top performing agent pool and strong executive team
 - 4 Operations in high value, established and active residential housing markets
 - 5 Shane Smollen is a proven real estate executive
 - 6 Acquisition alignment through vendor ownership in McGrath
 - 7 Like minded focus on high performance, service and culture
 - 8 Demonstrates the ability to effectively execute acquisitions as part of the ongoing growth strategy
- \$

Initial purchase price of ~A\$52.5 million rising to a maximum of ~A\$70.0 million with earn-outs

👤

Approximately 65 sales and 19 property management staff
12 of the 25 highest performing agents within the McGrath Network

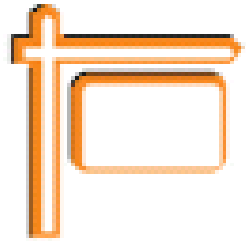
Smollen Group increases exposure to Sydney's growth corridor



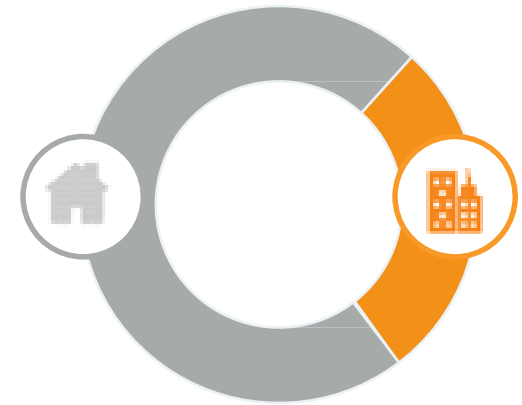
AUSTRALIAN RESIDENTIAL SALES COMMISSIONS WERE \$4.8B at 30 Sep 15



9.5+ Million residential properties¹ **\$6.4** Trillion value²



~502,000 Residential sales³



~72% Houses⁴ ~28% Units⁴



~\$474K Median price⁵

\$4.8B+ Sales commissions^{5,6}

1. As at 30 September 2015. Source: ABS 6416.0. 2. End of January 2016. Source: CoreLogic, "Housing and Economic Market Update", February 2016. 3. 12 months to 30 Sep 15, source: CoreLogic Data. 4. Approximate percentage split of the 9.5+ million residential properties. 5. 12months to 30 Sep 15. Source: McGrath management estimate derived from total market value of residential property sales over time based on CoreLogic Data. 6. Sales commission is Residential Sales volume x median price x 2%.

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All amounts are in Australian dollars unless otherwise indicated.

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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 Link 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 the 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 those anticipated. Actual results could differ materially from those which the McGrath Group expects, depending on the outcome of various factors.

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.



McGrath Limited (ASX: MEA) 24 February 2016

Results for the six months ended 31 December 2015

John McGrath, CEO

Geoff Lucas, COO

Paul Hauenschild, CFO