



McGrath Limited (ASX: MEA)

Results for the 12 months ended 30 June 2016

24 August 2016

McGrath

ACHIEVED FY16 REVENUE & EBITDA GUIDANCE


AGENTS UP

77 TO
642




OFFICES UP


20 TO
87


SALES UP

11% TO
12,232



MKT SHARE

UP TO
3.4%¹



REVENUE UP

12% TO
\$137M

EBITDA DOWN

3% TO
\$26.2M

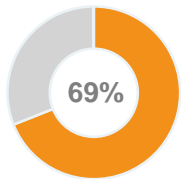
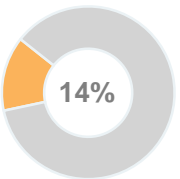
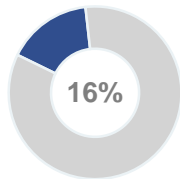
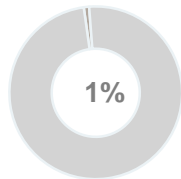
ACQUIRED
SMOLLEN
GROUP

FULLY FRANKED
FINAL DIVIDEND
3.5cps



Note: Financial performance above compares FY16 pro forma vs FY15 pro forma results. 1. McGrath Management estimates based on published sales data where an agent was recorded in that data. Total market size by value derived from CoreLogic data, 12 months to 30 June 2016.

A DIVERSE REAL ESTATE GROUP

	Company Owned		Franchise Services	Other ³
	Sales	Property Management		
FY16 Pro forma Contribution / Margin	 <p>28% margin</p>	 <p>28% margin</p>	 <p>59% margin</p>	 <p>5% margin</p>
Overview ¹	<ul style="list-style-type: none"> • 25 Company Owned Offices • Network of 264 agents • 5,126 property sales • \$7.1 billion value of property sales • Generates revenue by charging the vendors of residential property a commission for successfully selling a property 	<ul style="list-style-type: none"> • Network of 65 property managers • Over 7,000 properties under management • Churn rate of ~21%² • Generates revenue through management and leasing fees 	<ul style="list-style-type: none"> • Partners with 38 franchise groups operating 62 McGrath branded offices • Network of 378 agents • Over 140 property managers • Over 19,000 properties under management • 7,106 property sales • \$6.1 billion value of property sales • Franchise fees are largely consistent across the network 	<ul style="list-style-type: none"> • 33 mortgage brokers settled 1,596 mortgages for a value of \$814 million • Mortgage broking generates up front and trailing revenue from each loan • Training organises and operates a number of industry leading residential real estate conferences in Australia • Auction Services' team of over 40 dedicated auctioneers conduct auctions for the network

1. Data as at 30 June 2016 unless otherwise stated. 2. Churn rate is defined as the total number of properties lost in a year as a percentage of total properties at the beginning of the year and does not account for the addition of new properties. 3. Incorporates the mortgage broking and training businesses.

DELIVERING SOLID FINANCIAL RESULTS

Pro forma

\$m	FY16	FY15	% Change
Revenue	137.0	122.3	12%
EBITDA	26.2	27.2	(3%)
NPAT	14.6	15.7	(7%)
Dividend per share (cps)	3.5	-	
Cash	12.5	9.7	29%
Total assets	134.0	115.8	16%
Net assets	96.3	82.3	17%

Statutory:

Operating cash flow	7.4	9.6	(32%)
Investing cash flow	(37.3)	(4.8)	658%
Financing cash flow	39.5	(5.9)	(769%)

- Achieved FY16 revenue and EBITDA guidance
- Revenue up 12% to \$137m
 - Total network property sales volume up 11%
 - Network average sales price up 3%
 - Network properties under management up 20%
 - Mortgage settlements value up 20%
- EBITDA down 3% to \$26.2m
- NPAT down 7% to \$14.6m
- Invested in costs supporting future growth

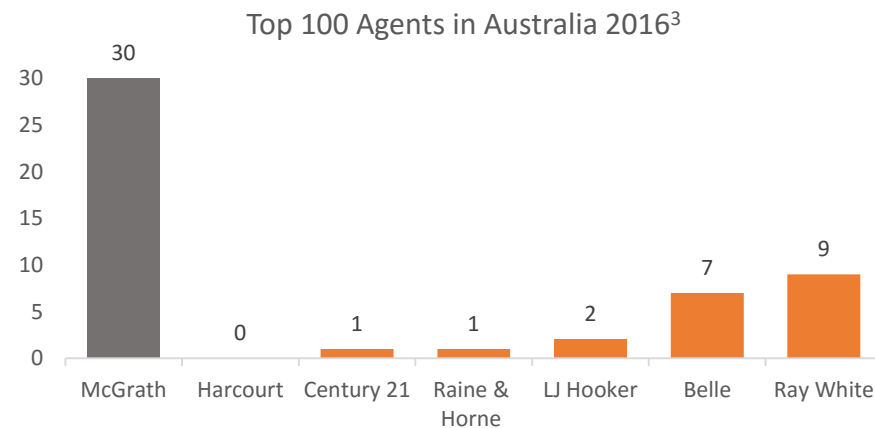
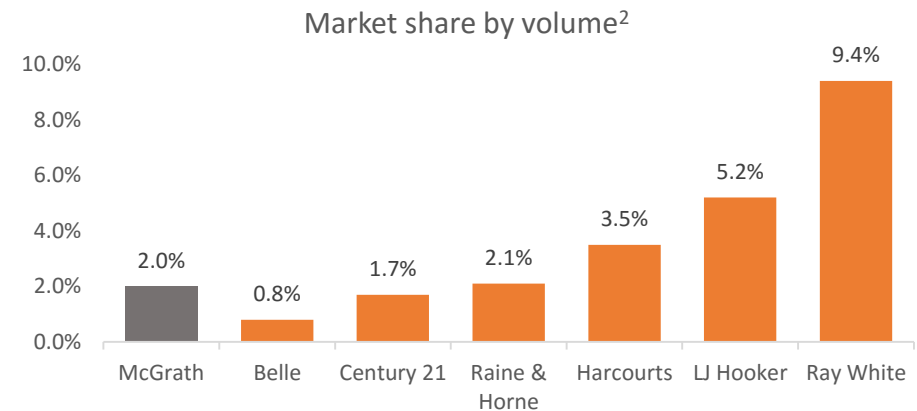
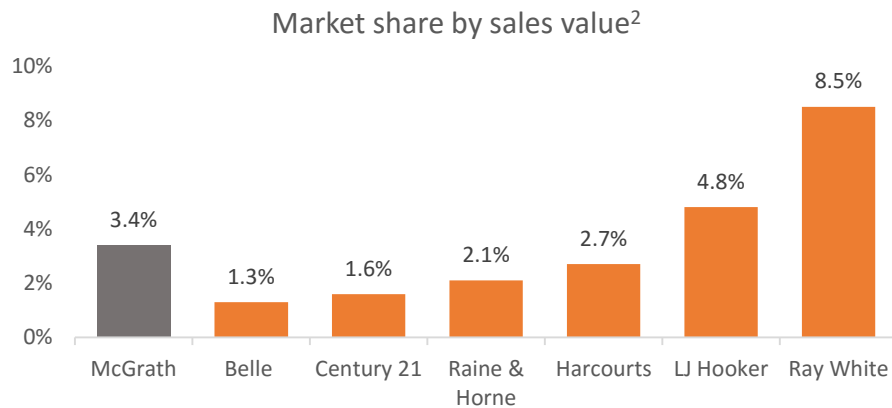
SEGMENTAL PERFORMANCE

Pro forma segment revenue and EBITDA

\$m	FY16	FY15	% Change
Revenue			
Company owned sales	96.9	87.1	11%
Company owned property management	19.0	15.6	22%
Franchise services	10.6	9.4	12%
Other operating segments	10.5	10.2	3%
Total Revenue	137.0	122.3	12%
EBITDA			
Company owned sales	26.7	27.7	(3%)
Company owned property management	5.2	4.0	30%
Franchise services	6.3	5.8	8%
Other operating segments	0.5	1.0	(53%)
Corporate	(12.5)	(11.3)	11%
Total EBITDA	26.2	27.2	(3%)

- Company owned sales
 - \$7.1b sales volume from 5,126 sales
 - Opened 3 offices
- Company owned property management
 - Over 7,000 properties under management
- Franchise services
 - \$6.1b sales volume from 7,106 sales
 - Over 19,000 properties under management
 - Opened 17 offices
- Mortgage Broking
 - \$814m mortgages settled from 1,596 transactions

MCGRATH IS WELL POSITIONED TO GROW IN A HIGHLY FRAGMENTED \$5.9TN¹ MARKET



1. Corelogic Housing and Economic Market Update June 2015. 2. Source: 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 June 2016. 3. Real Estate Business Magazine April 2016.

CONTINUING TO INVEST TO BUILD SUSTAINABLE LONG TERM GROWTH

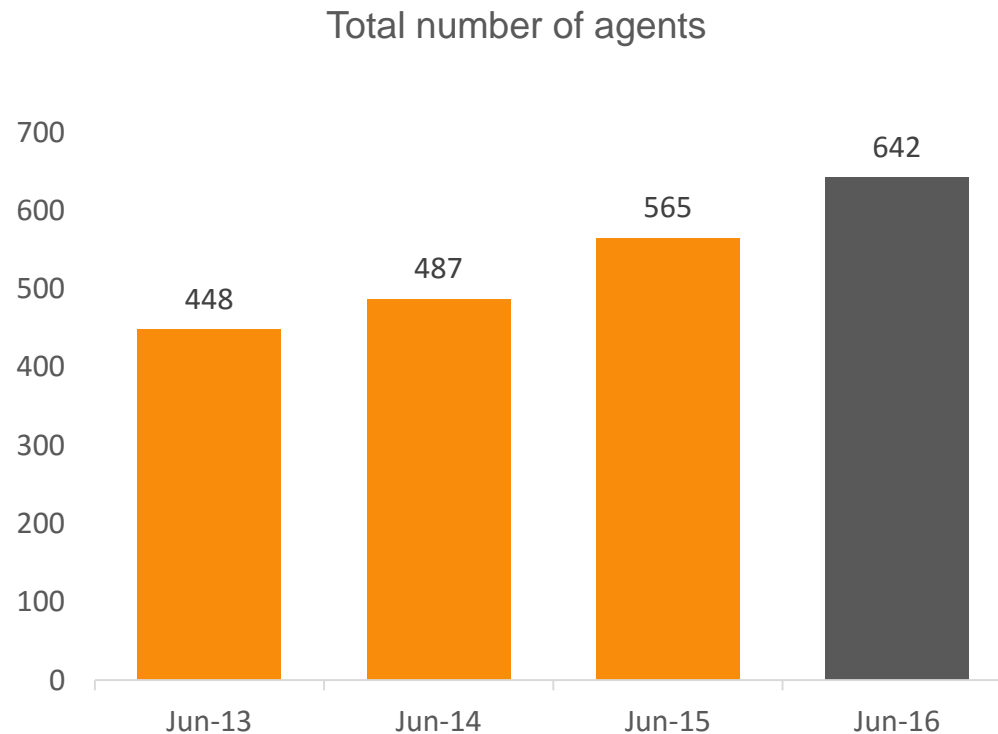
1. INCREASE AGENT NUMBERS

2. ROLLOUT NEW OFFICES

3. STRATEGIC ACQUISITIONS

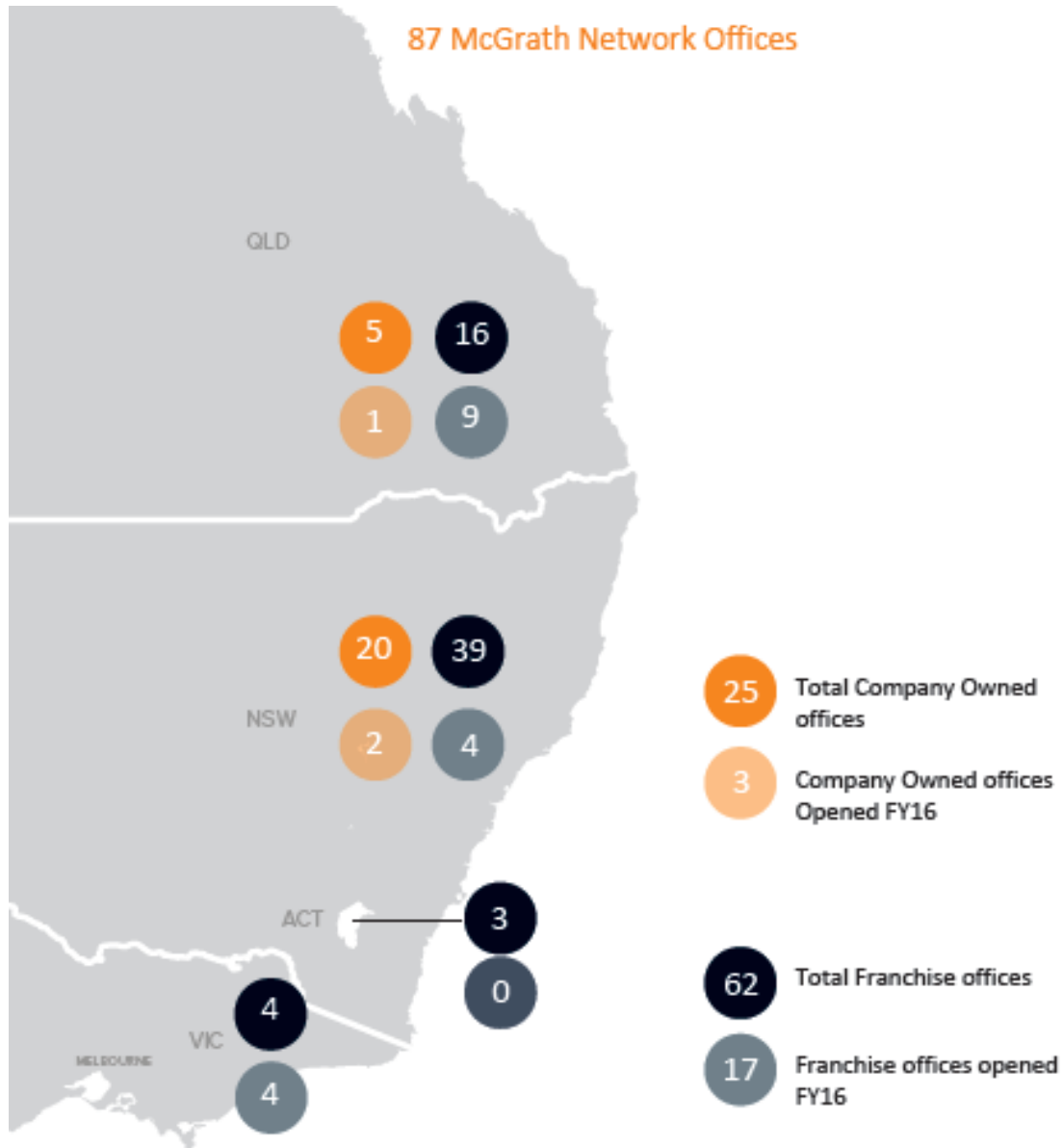
4. GROW PROPERTY MANAGEMENT & HOME LOANS

1. INCREASE AGENT NUMBERS



- Strong, ongoing focus on talent identification and the recruitment of agents
 - Attracting existing agents from competitors
 - Internal talent development
- During FY16, expanded the internal talent development team through the addition of 3 staff focusing on recruitment and retention of talent
- Over FY16, agent numbers increased by a total of 77
- New agents typically take an average of 4-6 months to build momentum

2. ROLL OUT NEW OFFICES



- Opened 20 offices in FY16
 - 3 company owned and 17 franchise
 - 6 in NSW
 - 10 in QLD
 - 4 in VIC
- Opened 4 new offices to date in FY17
 - Wahroonga, NSW¹
 - Northcote, VIC
 - Hunter Valley, NSW
 - Blacktown, NSW¹

1. Company owned offices.

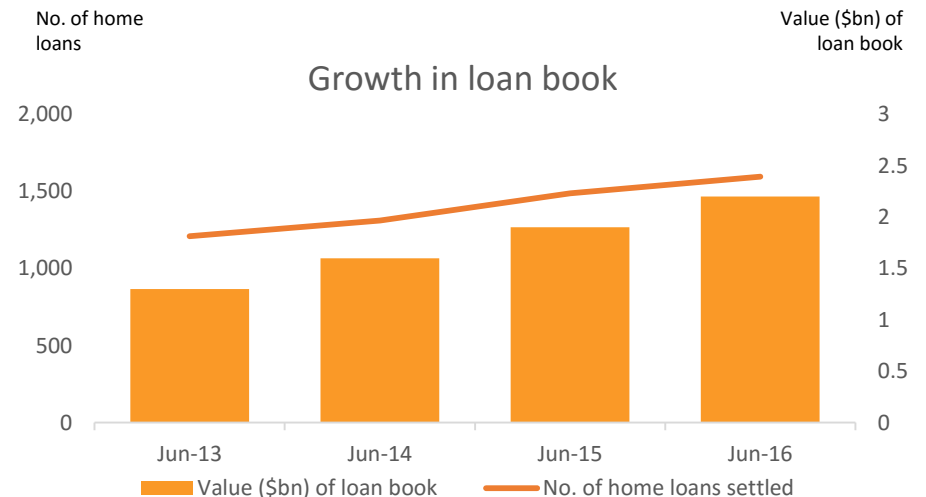
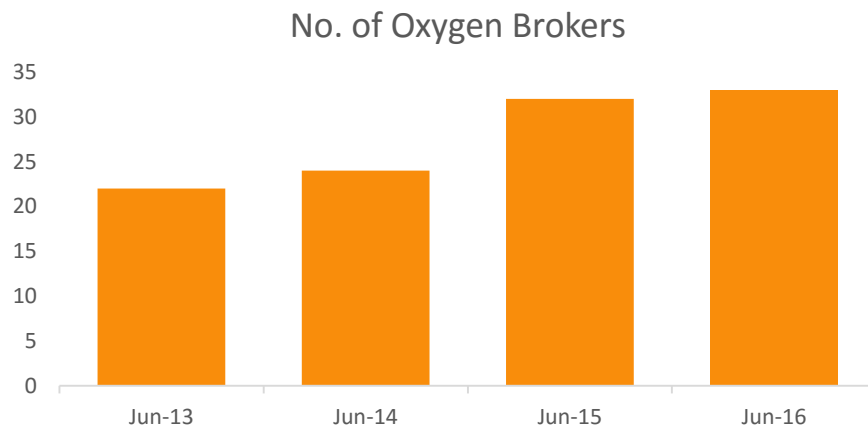
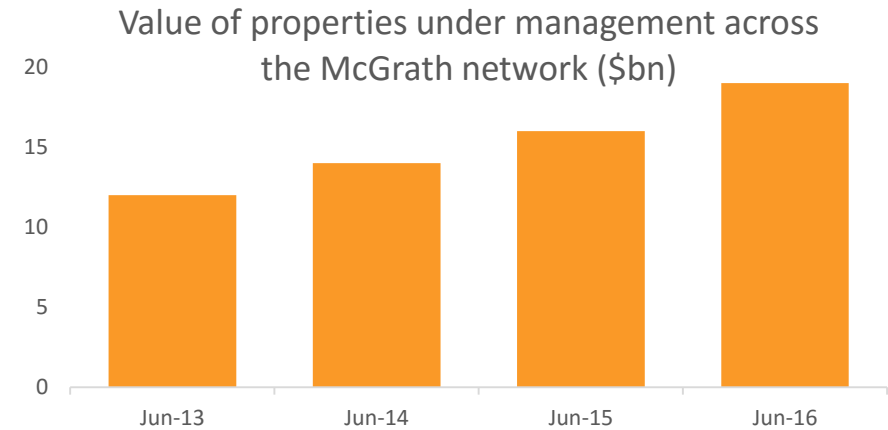
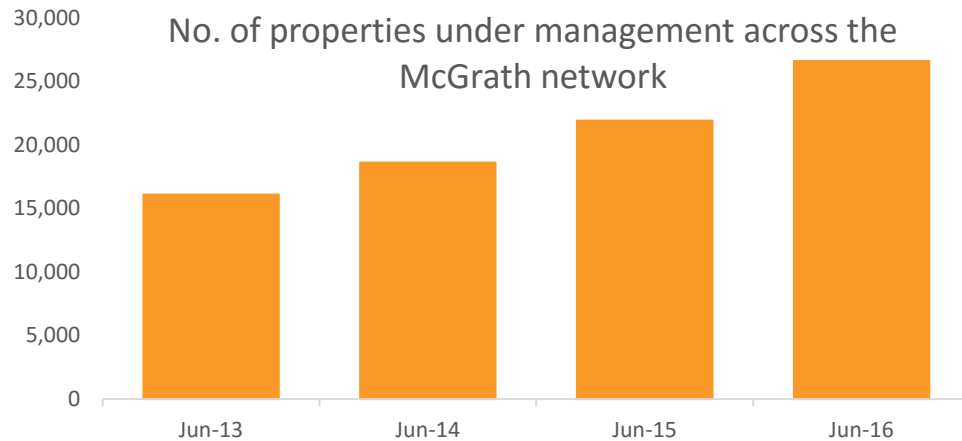
3. PURSUING STRATEGIC ACQUISITIONS

Smollen Group increases exposure to Sydney's growth corridor



- Successfully completed the acquisition of the Smollen Group (10 offices)
 - Had a concentration of offices skewed to Asian buyers, which has affected near term performance
 - Earn-out aligns value with achievement of growth targets
- Continuing to evaluate strategic acquisition opportunities within specific criteria set

4. GROWING PROPERTY MANAGEMENT AND HOME LOANS



Note: Pro forma numbers reflected in data

ATTRACTIVE LONG TERM OUTLOOK

Attractive long term market fundamentals

- Historically 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 means real estate will continue to attract investors

McGrath uniquely positioned to benefit from long term fundamentals

- Strong brand attracting high performing agents
- Network approach builds strong company owned and franchised offices
- Growing market share in a highly fragmented market
- Continuing to expand in all East Coast markets, then nationally

OUTLOOK FOR FY17

- Challenging market conditions expected to continue in FY17 as seen through lower listing volumes
- We continue to focus on the things that are within our control
 - Attract and retain high performing agents
 - Continue to grow office network
 - Increased productivity of existing and new agents
 - Utilise technology to deliver efficiencies and enhance productivity
- Continue to invest in the business to build long term shareholder value

Questions

Appendix

PRO FORMA RESULT

Profit and loss summary

June full year end, A\$m	FY16	FY15	% Change
Total revenue	137.0	122.3	12%
Cost of sales	(54.1)	(46.1)	17%
Gross Profit	82.8	76.2	9%
Employee benefits expenses	(33.9)	(29.5)	15%
Other expenses	(22.7)	(19.5)	16%
EBITDA	26.2	27.2	(3%)
Depreciation	(1.9)	(1.5)	25%
Amortisation	(3.8)	(3.2)	22%
EBIT	20.5	22.5	(9%)
Net finance costs	0.1	0.2	(34%)
Net profit before tax	20.6	22.6	(9%)
Tax expense	(6.0)	(6.9)	(14%)
NPAT	14.6	15.7	(7%)

STATUTORY RESULT

Profit and loss summary

June full year end, A\$m	FY16	FY15	% Change
Total revenue	121.0	85.9	41%
Cost of sales	(46.2)	(35.2)	31%
Gross Profit	74.7	50.7	47%
Employee benefits expenses	(31.0)	(22.5)	38%
Other expenses	(27.2)	(15.3)	78%
EBITDA	16.4	12.9	27%
Depreciation	(0.9)	(0.5)	62%
Amortisation	(2.7)	(1.7)	64%
EBIT	12.8	10.7	20%
Net finance costs	(0.2)	(0.3)	(40%)
Net profit before tax	12.6	10.4	21%
Tax expense	(4.2)	(3.3)	26%
NPAT	8.4	7.0	20%

STATUTORY BRIDGE TO PRO FORMA – NPAT BRIDGE

June full year end, A\$m	Stat / Pro Forma	FY16	FY15
Total revenue	Statutory	121.0	85.9
Fair Value adjustment		(2.3)	0.0
Smollen Acquisition		18.4	36.4
Total revenue	Pro Forma	137.0	122.3
Cost Of Sales	Statutory	(46.2)	(35.2)
Smollen Acquisition		(7.9)	(15.3)
Payroll Tax Assessment		0.0	4.4
Cost Of Sales	Pro Forma	(54.1)	(46.1)
Employee benefits expenses	Statutory	(31.0)	(22.5)
Smollen Acquisition		(2.9)	(6.2)
Rem Structure		0.0	(0.9)
Employee benefits expenses	Pro Forma	(33.9)	(29.5)
Other expenses	Statutory	(27.2)	(15.3)
Smollen Acquisition		(2.3)	(3.6)
Rem Structure		0.0	0.0
Listing Costs		0.0	(0.9)
Transaction & Acq. Costs		6.8	0.3
Other expenses	Pro Forma	(22.7)	(19.5)

June full year end, A\$m	Stat / Pro Forma	FY16	FY15
Depreciation	Statutory	(0.9)	(0.5)
Smollen Acquisition		(1.0)	(1.0)
Depreciation	Pro Forma	(1.9)	(1.5)
Amortisation	Statutory	(2.7)	(1.7)
Smollen Acquisition		(1.1)	(1.5)
Amortisation	Pro Forma	(3.8)	(3.2)
Net Finance Costs	Statutory	(0.2)	(0.3)
Existing Co - No Debt		0.3	0.5
Net Finance Costs	Pro Forma	0.1	0.2
Tax Expense	Statutory	(4.2)	(3.3)
Tax Effect of Pro Forma Adj.		(1.8)	(3.6)
Tax Expense	Pro Forma	(6.0)	(6.9)
NPAT	Statutory	8.4	7.0
Fair Value adjustment		(2.3)	0.0
Smollen Acquisition		3.2	8.9
Payroll Tax Assessment		0.0	4.4
Rem Structure		0.0	(0.9)
Listing Costs		0.0	(0.9)
Transaction & Acq. Costs		6.8	0.3
Existing Co - No Debt		0.3	0.5
Tax Effects		(1.8)	(3.6)
NPAT	Pro Forma	14.6	15.7

STABLE OPERATING CASH FLOW

Cash flow summary \$m

	FY16	FY15
EBITDA	16.4	12.9
Change in net working capital	(8.5)	(3.9)
IPO transaction costs included in EBITDA	5.1	0.1
Acquisition transaction costs included in EBITDA	1.7	0.3
Non cash EBITDA items	(2.1)	3.2
Net cash flow from operating activities before capital expenditure, financing and tax	12.6	12.5
Capital expenditure	(8.1)	(4.8)
Net cash flow before financing and tax	4.5	7.8
Net interest received / (paid)	(0.2)	(0.3)
Income tax paid	(5.0)	(2.6)
Loan repayments received	2.1	2.6
Loans granted	(0.5)	(2.3)
Net proceeds of the offer	66.1	1.3
Purchase of controlled entities, net of cash acquired	(29.1)	0.0
Proceeds from borrowings	9.0	0.7
Repayment of borrowings	(15.9)	(0.9)
IPO and acquisition transaction costs	(10.3)	(0.4)
Net cash flow before dividends	20.7	5.7
Dividends and distributions paid	(11.1)	(6.7)
Net cash flow	9.7	(1.0)
Cash conversion ratio	77%	97%

- Significant cash flow movements
 - (\$29.1m) Smollen acquisition and purchase of McGrath Auction Unit Trust (net of cash acquired)
 - \$66.1m Proceeds raised from the issue of new share capital under IPO
 - (\$15.9m) Repayment of borrowings utilised to acquire property management rights and pay pre-IPO dividend
 - (\$10.3m) Payment of IPO and acquisition transaction costs
 - (\$11.1m) Dividend paid relates to FY15

STRONG BALANCE SHEET – NO DEBT + \$12.5M CASH

Statutory balance sheet

A\$ in millions	30 Jun 2016	30 Jun 2015
Total current assets	44.2	25.7
Total non-current assets	89.8	12.4
Total assets	134.0	38.1
Total current liabilities	24.1	15.1
Total non-current liabilities	13.6	8.6
Total liabilities	37.7	23.8
Net assets	96.3	14.3
Contributed equity	92.1	6.3
Share-based payment reserve	0.1	-
Retained profits / (accumulated losses)	4.1	8.0
Total equity	96.3	14.3

- As a result of the acquisition of Smollen Group:
 - \$53.0m in goodwill and \$16.0m in property management rights were recognised as intangible assets on the balance sheet
 - Fair value of deferred consideration of \$12.6m 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
- \$12.5m cash on balance sheet at 30 Jun 16
- Entered into a debt facility agreement for \$11.5m – three year term expiring November 2018; currently undrawn

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 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 Australian 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. Management 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 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)

Results for the 12 months ended 30 June 2016

24 August 2016

McGrath