MMS Group FY11 Results Presentation

August 2011

McMillanShakespeareGroup

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The McMillan Shakespeare Group of Companies

Highlights FY11

A year of consolidation, consistent delivery and ongoing, profitable, organic growth:

- Consolidated NPAT of $43.5m (normalised growth of +56%).
- Normalised[(1)] Basic EPS growth of 55%.
- Group Remuneration Services NPAT of $31.6m or 26% growth.
- Asset Management NPAT of $13.5m.
- Strong free cashflow ($37.6m pre-fleet increase).
- Final dividend of 22 cps (total FY11 38 cps versus 24 cps FY10).
- Return on equity of 43%
- Transition of Asset Management acquisition from a book in run-off into a growing profitable business. Results validate the business model.

Note 1: Normalised Basic FY10 EPS excludes the profit recognised on acquisition as a result of the business combination of ILA.

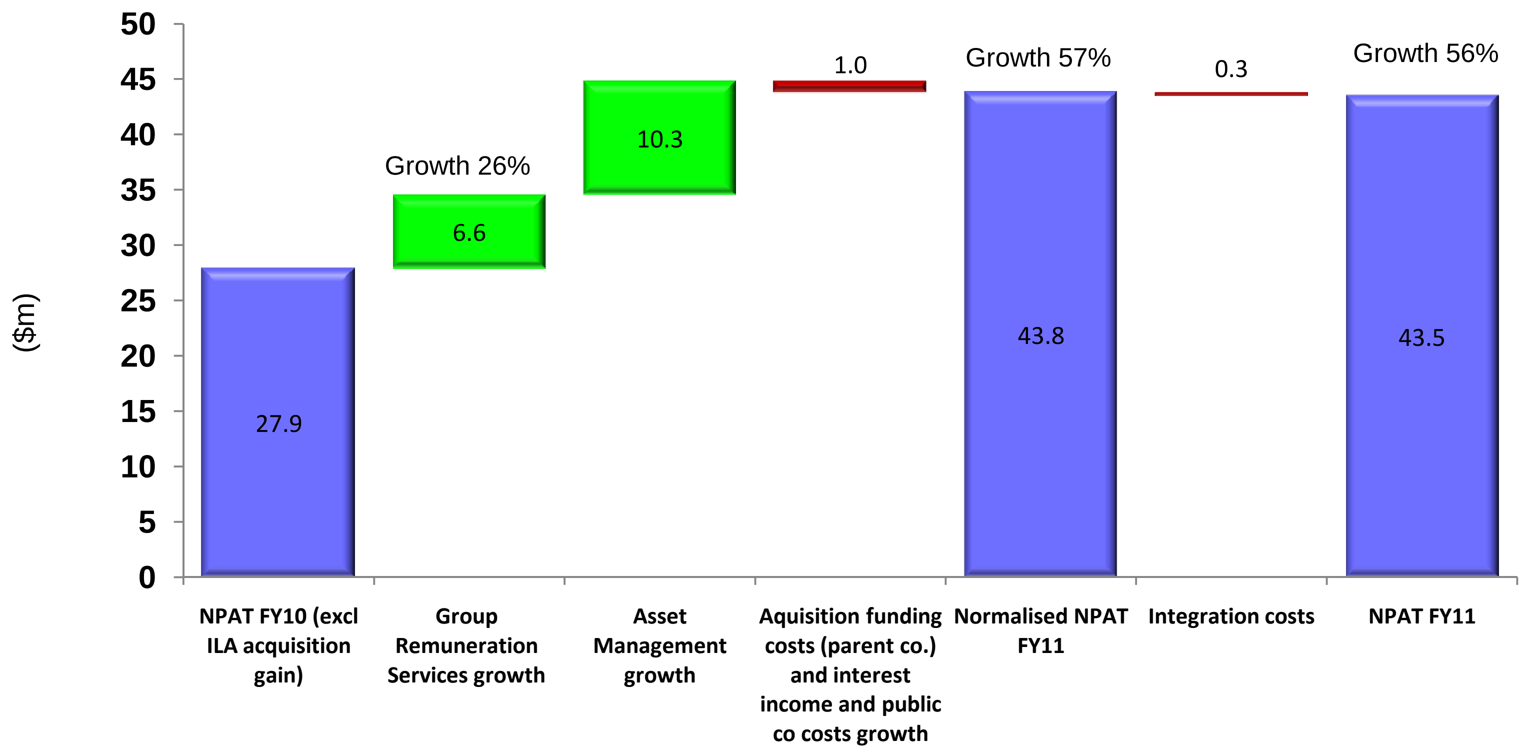
Consolidated financial performance

	FY10 $000 Group Remuneration Services ("Original" business)	FY11 $000 Group Remuneration Services ("Original" business)	% Increase	FY10 (1) $000 Asset Management	FY11 $000 Asset Management	% Increase	FY10 (1) $000 Total	FY11 $000 Total
Revenue from operating activities	92,139	111,648	21%	38,882	158,890	309%	131,021	270,538
Expenses	56,309	66,380	18%	34,309	139,591	307%	90,618	205,971
Pre tax profit from operating activities	35,830	45,268	26%	4,573	19,299	322%	40,403	64,567
Operating margin	38.9%	40.5%		11.8%	12.1%		30.8%	23.9%
Tax	10,785	13,610	26%	1,364	5,839	328%	12,149	19,448
Segment net profit after tax	25,045	31,658	26%	3,209	13,460	320%	28,254	45,119
Unallocated items								
Interest income							1,001	767
Interest and borrowing costs on parent company debt							(791)	(1,814)
Public company costs							(709)	(831)
Integration							-	(491)
Tax on unallocated items							150	711
Profit after tax from operating avtivities	25,045	31,658		3,209	13,460		27,905	43,460
Normalised NPAT growth							**36%**	**56%**
After tax profit arising from acquisition							17,055	-
Net profit after tax							44,960	43,460
NPAT growth							119.1%	-3.3%
Normalised ROE (2)							42%	43%
Basic earnings per share (cents)							66.52	64.00
Normalised basic earnings per share (cents) (2)							41.23	64.00
Diluted earnings per share (cents)							41.23	61.22
Final dividend declared per share (cents)							14.00	22.00

Note 1: The Asset Management segment represents the financial performance since the acquisition of ILA (effective 1 April 2010).

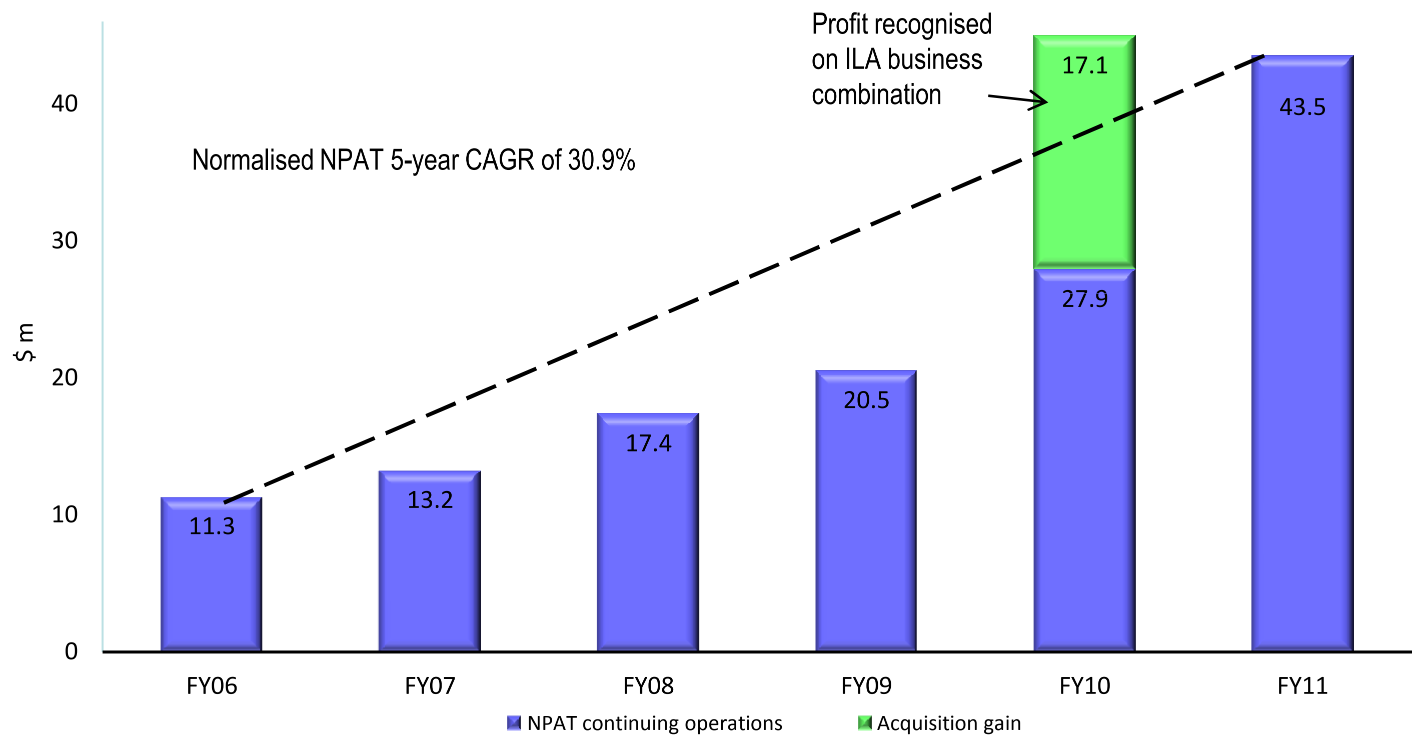
Note 2: Normalised FY10 ROE and EPS exclude the profit recognised on acquisition as a result of the business combination of ILA.

NPAT bridge FY10 to FY11

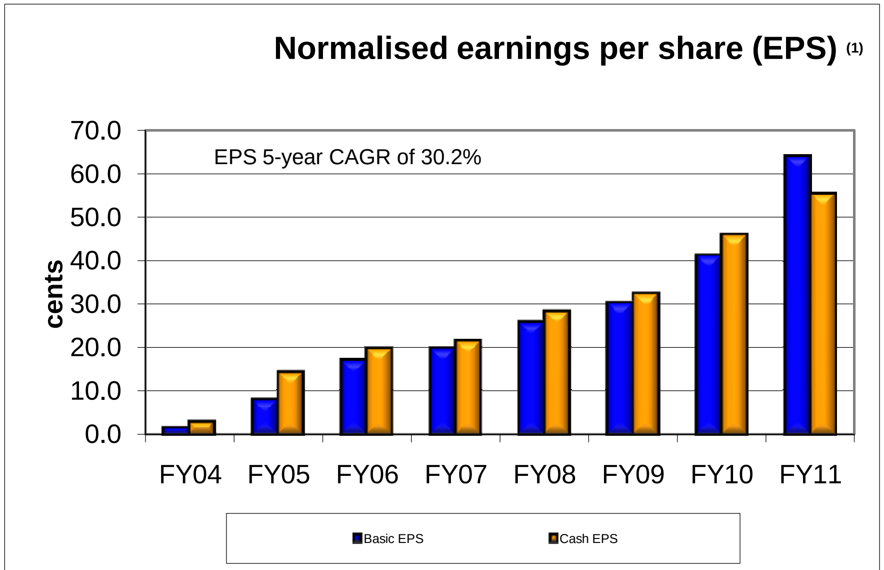


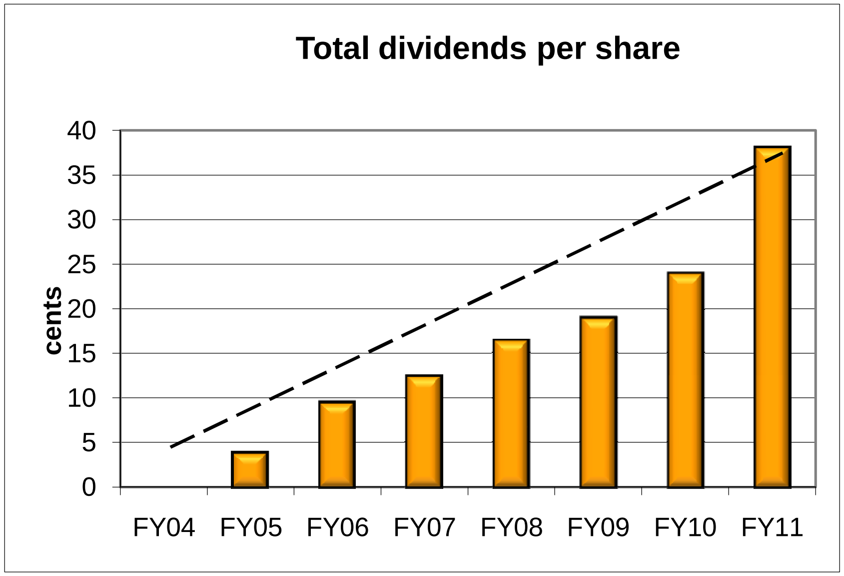
Note 1: The Asset Management segment includes 12 months of trading compared to one quarter in FY10.

Historical normalised NPAT



Historical earnings and dividends per share





FY11 cash EPS is after funding major systems upgrade as part of 5 year IT strategy.

Note 1: Normalised EPS excludes the profit recognised on acquisition as a result of the business combination of ILA.
Cash EPS includes CAPEX but excludes the investment in fleet growth.

Definition of segments

Group Remuneration Services segment definition:

The segment provides administrative services in respect of salary packaging and facilitates the settlement of motor vehicle novated leases for customers, but does not provide financing. The segment also provides ancillary services associated with motor vehicle novated lease products such as insurance and after market products.

Asset Management segment definition:

The segment provides financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment.

Group Remuneration Services segment

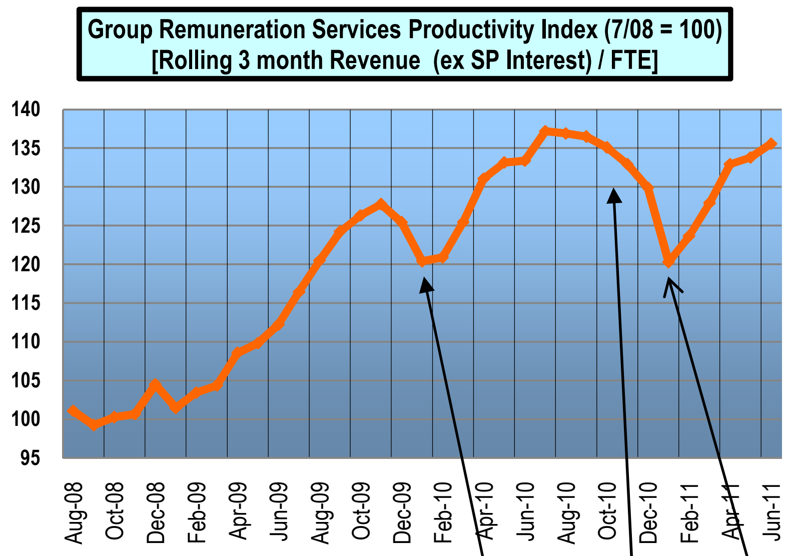
- Revenue growth of 21% on PCP.
- NPAT growth of 26% on PCP.
- Core operating contribution increase of 23% over PCP.
- Strong free cashflow ($30.7m).
- Customer metrics exceeding benchmarks.
- Ongoing productivity improvements.
- Ongoing growth in packaging administration and novated leasing unit sales, notwithstanding weakness in retail and motor vehicle sales in the general market.
- Improving participation rates driven by process improvements and service levels.
- Retention of all major customers.

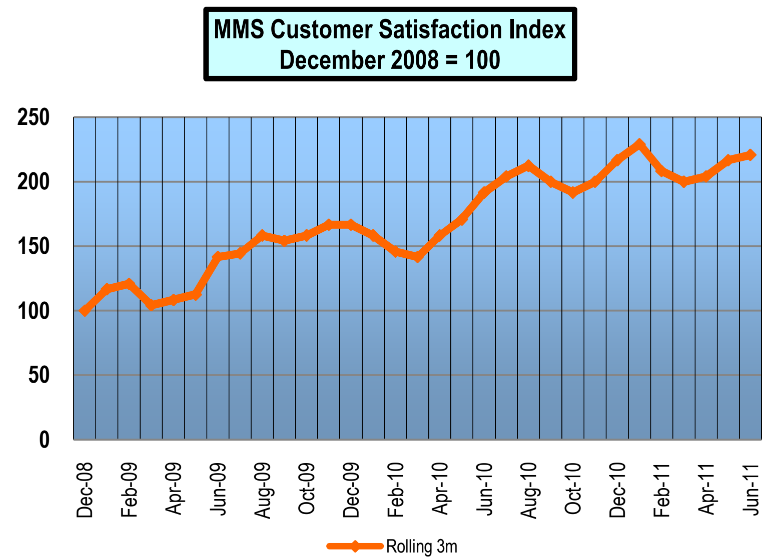
Note: Core operating contribution – profit before finance, tax and depreciation as a percentage of revenue derived directly from salary packages managed and novated leasing.

Group Remuneration Services financial performance

	FY10 $000	FY11 $000	% Inc	Comment
Segment revenue	92,139	111,648	21%	Consistent delivery and ongoing organic growth.
Employee expenses	38,574	43,908	14%	Significantly below revenue growth
Depn and amort of PPE and software	2,222	3,310	49%	Reflects recent investment in IT, CRM, BCP/DRP and premises
Property expenses	2,337	3,935	68%	Additional space and new premises
Other expenses	13,176	15,227	16%	Significantly below revenue growth
Total expenses	56,309	66,380	18%	
Profit before tax	35,830	45,268	26%	
Tax	10,785	13,610		
Net profit after tax	**25,046**	**31,658**	**26%**	

Productivity and customer satisfaction indices





Queensland floods.

Increased head count to maintain client service levels during the end of FBT year process.

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Asset Management segment highlights

- Strong EBIT/NPAT performance in first full year of ownership.
- Business now growing and gaining momentum, notwithstanding steep run-off curve when purchased.
- Operating lease book grew by $8m with $6m in 2HFY11.
- New contract wins driven by unique value proposition and improved sales activities.
- Segment is delivering novated lease customers into Group Remuneration Services segment.
- NIM exceeding budget.

Asset Management segment highlights (cont'd)

- Improving, more balanced income streams, including in-life services / procurement.
- Residual value performance ahead of expectations.
- Credit losses for FY11 were less than $25,000 and were fully recovered from asset disposal proceeds i.e. net credit losses were nil.
- Interest rate risk managed through hedging facilities.
- Augmented Asset Management expertise.

Asset Management financial performance

	FY10[1] $000	FY11 $000
Segment revenue	38,882	158,890
Depreciation of motor vehicle fleet	15,989	63,681
Interest on fleet financing	2,359	9,464
Lease and vehicle management expenses	13,064	52,434
Employee and other expenses	2,898	14,012
Total operating costs	34,309	139,591
Profit before tax	4,573	19,299
Tax	1,364	5,839
Net profit after tax	3,209	13,460

Note 1: The profit represents profits arising since the acquisition of ILA which occurred effective 1 April 2010.

Asset Management key balance sheet numbers

	FY10 $000	FY11 $000
Operating lease assets	202,472	210,661
Motor vehicle inventories	1,809	1,478
Finance leases and CHP	9,226	7,948
Total Funded Fleet assets	213,507	220,086
Fleet financing borrowings	112,727	113,000
Maintenance instalments received in advance	8,653	6,306
Net assets	80,902	87,535

Gearing

	MMS & Group Remuneration Services [1] 30 June 2011 $000	**Asset Management** 30 June 2011 $000	**Group Balance at** 30 June 2011 $000	**Group Balance at** 30th June 2010 $000
Net debt	5,152	109,814	114,966	125,970
Book value of equity	26,977	87,535	114,512	89,414
Gearing - net debt / (net debt + equity)	16%	56%	50%	58%
Interest times cover (FY)			6.55	5.80

Note 1: Includes net debt of MMS for the acquisition of ILA.

** As at 30th June 2011 the group remains well within its banking covenants, while better utilising surplus working capital. Significant headroom is available within debt facilities to deliver on growth objectives.

Cash flow

	Group Remuneration Services $000	Asset Management $000	Unallocated / parent co. $000	MMS Group Total $000
Segment NPAT	31,658	13,460	(1,658)	43,460
Non-fleet depn/amort and fleet prov movements	4,362	(1,205)	-	3,156
Working capital inflow / (outflow)	(1,765)	987	-	(778)
Operating cashflow pre fleet increase and abnorm tax payments	34,254	13,242	(1,658)	45,839
Capex (non fleet) and software incl. 5 year IT systems upgrade	(4,406)	(1,155)	-	(5,561)
Free cash flow before fleet increase and abnorm tax payments	29,848	12,087	(1,658)	40,277
Tax payments in excess of tax expense*	878	(1,547)	(2,032)	(2,700)
Free cashflow before fleet increase	30,726	10,540	(3,690)	37,577
Investing activities and fleet increase:				
Net growth in leasing assets funded with cash	-	(7,616)	-	(7,616)
Acquisition costs	-	-	(216)	(216)
Free cash flow	30,726	2,924	(3,906)	29,745
Financing activities:				
Equity contribution	1,755	-	-	1,755
Intercompany funding	(4,381)	4,381	-	-
Net debt (repayments)/ borrowings (net of costs)	(13,000)	165	-	(12,835)
Dividends paid	(14,388)	(6,000)	-	(20,388)
	(30,014)	(1,454)	-	(31,468)
Net cash movement	712	1,470	(3,906)	(1,724)

* Unallocated tax payments represent tax payments in respect of the profit on acquisition of ILA recognised in FY10.

Funding

The Group renegotiated its borrowing arrangements for Interleasing in 2HFY11. The objectives of the renegotiation were to:

- provide longer-term funding facilities to enhance liquidity position;
- reduce funding costs; and
- provide greater flexibility.

The $180m ILA facility has:

- been extended by two years to 31 March 2014;
- been repriced to lower the cost; and
- incorporated improved capital management covenants.

The parent company facility at 30 June 2010 was $30m. The facility at 30 June 2011 is $17m, following $8m scheduled repayments and a $5m early repayment. The expiry date of 31 March 2013 for this facility remains unchanged. Our alternative funding initiatives continue to be developed in accordance with our funding strategy.

Overview of key activities in FY11

- Commitment to a clear strategy with disciplined prioritisation and execution.
- Demonstrated capabilities in distribution, BPO and Asset Management.
- Re-investment in business:
  - Recruitment, induction, training and development. An increase of 127 employees year on year.
  - Ongoing investment in technology, in particular, upgrade of Asset Management systems and Business Intelligence capability, all within budget.
  - RemServ premises renovated and expanded, on time and within budget.
  - New premises in WA.

Key activities and highlights in FY11 (cont'd)

- 106 new business contracts and cross-sales acquired in FY11.
- Re-marketing initiatives have delivered excellent results.
- Queensland Government contract retained.
- First class Business Continuity Performance through Brisbane floods.
- Treasury and credit well managed: funding arranged on better terms; float yield improved; other funding options explored and in development.
- First MMS Group staff survey – 80% engagement score.

Sensitivities

- Availability of Japanese motor vehicles post-earthquake (full availability said to come on line in September/October).
- New motor vehicle sales (at this stage, general fall in motor vehicle sales and poor retail environment do not appear to be impacting MMS).
- Second hand vehicle values.
- Interest rates (earnings on float).
- Key contract tenders (SA Government due to go to tender for 1 April 2012 start).

Sensitivities (cont'd)

- Notwithstanding a two day "Tax Summit" scheduled for this October, the Government has dealt with the two key issues that may have had a material impact on our business through its considered response (over six months) to the Henry Review, a comprehensive review of the tax system conducted over two years:

Issue 1 - FBT concessions to health and charities: In responding to certain recommendations in the Henry Report [1], (and making specific reference to the key recommendations relevant to our business, namely, 9(e) and 43), the Government said [2] : "In the interest of business and community certainty, the Government advises that it will not implement the following policies **at any stage**. [3]"

[1] Australia's Future Tax System, Report to the Treasurer, December, 2009.
[2] Government Response to Henry Review, issued by Prime Minister and Treasurer, 2 May, 2010.
[3] MMS emphasis.

Sensitivities (cont'd)

Issue 2 - Novated leases: In last May's Federal Budget, the Government accepted the Henry recommendation to move the FBT concession on motor vehicles to a flat 20% rate. See MMS ASX announcement on 11 May 2011 "Budgetary Changes".

Outlook

- A year of consolidation, execution and ongoing organic growth.
- Consistent, profitable, cash generative growth through:
  - New business and cross-sales using our unique value proposition and capability set.
  - Increasing participation rates in existing portfolio (106 new contracts and cross-sales achieved in FY11).
- Continued strong investment in people, process and systems; Asset Management system upgrade due for completion in 1HFY13.