MMS Group 1HFY12 Results Presentation

21 February 2012

McMillanShakespeareGroup

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The McMillan Shakespeare Group of Companies

Half year presentation contents

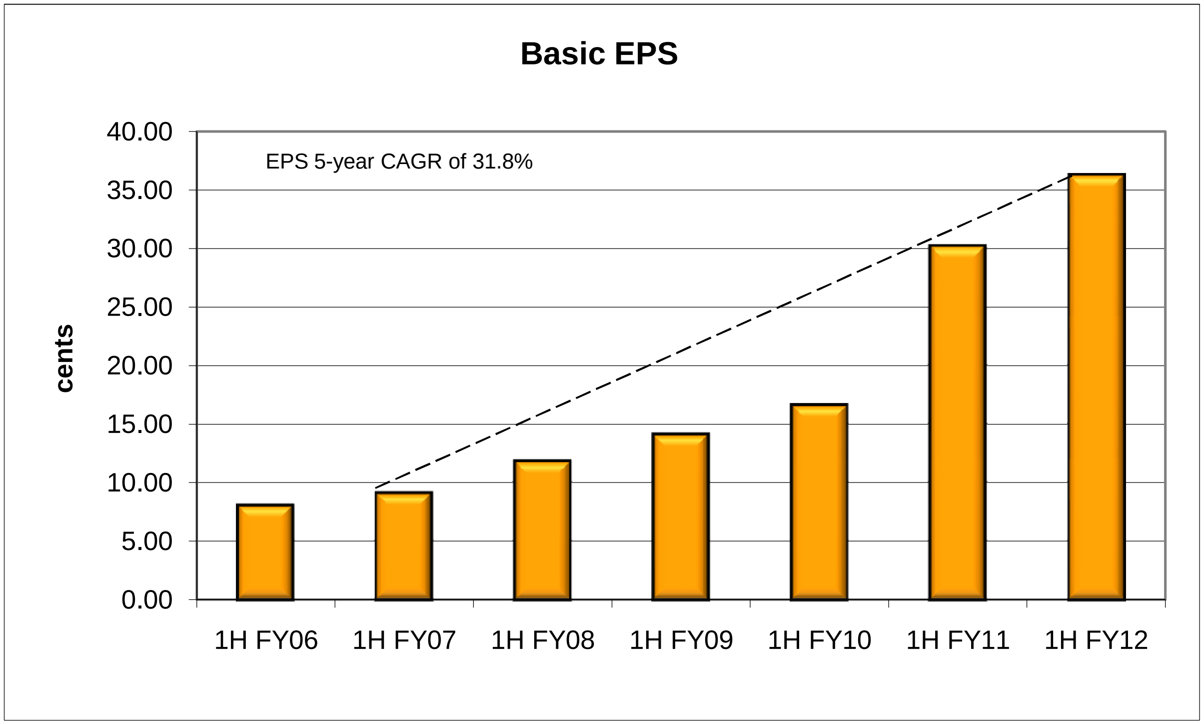
Financial highlights

- Ongoing organic profitable growth.
- Consolidated NPAT of $25m (21.4% growth on PCP).
- Group Remuneration Services NPAT of $18.5m (23% growth on PCP).
- Asset Management NPAT of $7m (5.1% growth on PCP).
- Basic EPS of 36.3 cents per share (19.8% growth on PCP).
- Interim dividend of 22 cents per share (16 cents PCP).
- Annualised return on equity of 40%.
- Strong free cash flow of $25m (pre-fleet increase).

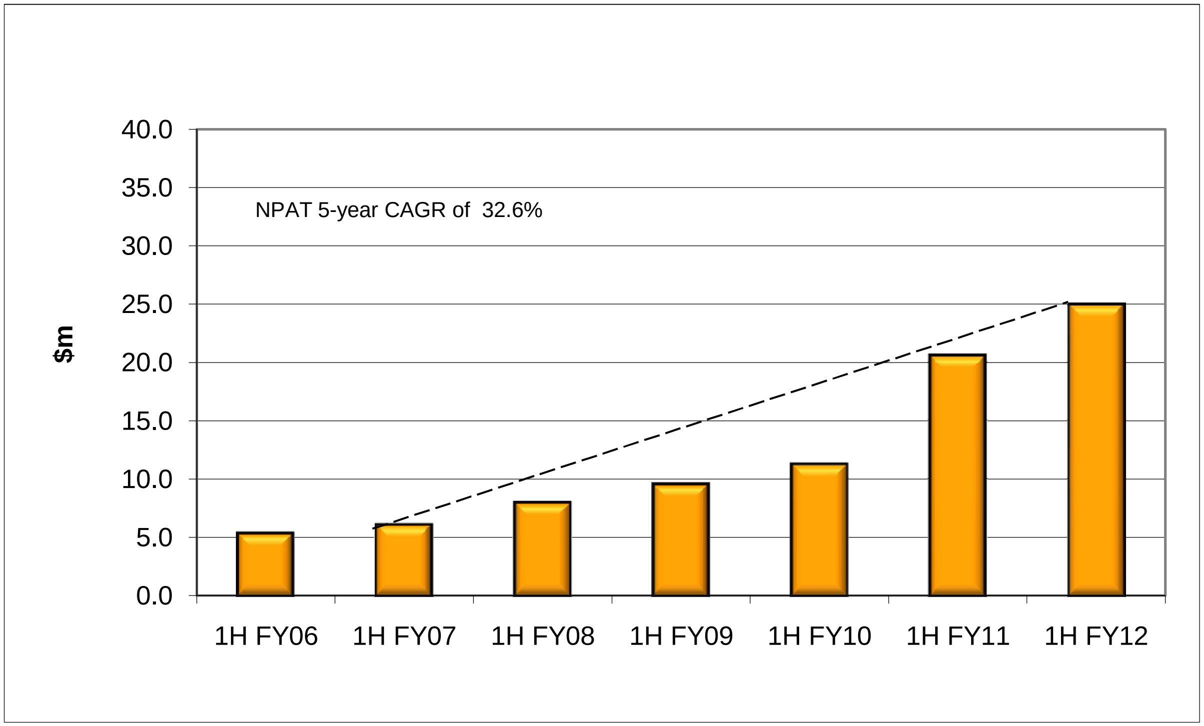
Consolidated financial performance

	1H FY12 $000 Group Remuneration Services	1H FY11 $000 Group Remuneration Services	% Increase	1H FY12 $000 Asset Management	1H FY11 $000 Asset Management	% Increase	1H FY12 $000 Total	1H FY11 $000 Total
Revenue from operating activities	64,413	53,618	20.1%	78,593	82,683	-4.9%	143,006	136,301
Expenses	38,066	32,123	18.5%	68,518	73,209	-6.4%	106,584	105,332
Pre tax profit from operating activities	26,347	21,495	22.6%	10,075	9,474	6.3%	36,422	30,969
Operating margin	40.9%	40.1%		12.8%	11.5%		25.5%	22.7%
Tax	7,868	6,474	21.5%	3,131	2,868	9.2%	10,999	9,342
Segment net profit after tax	**18,479**	**15,021**	**23.0%**	**6,944**	**6,606**	**5.1%**	**25,423**	**21,627**
Unallocated items								
Interest income							458	360
Interest and borrowing costs on parent company debt							(602)	(1,184)
Public company costs							(578)	(475)
Integration							-	(276)
Tax on unallocated items							217	474
Profit after tax from operating activities	**18,479**	**15,021**	**23.0%**	**6,944**	**6,606**	**5.1%**	**24,918**	**20,526**
NPAT growth							**21.4%**	**83.0%**
Basic earnings per share (cents)							36.27	30.28
Diluted earnings per share (cents)							34.64	29.18
Interim dividend declared per share (cents)							22.00	16.00

Earnings per share



NPAT performance



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.

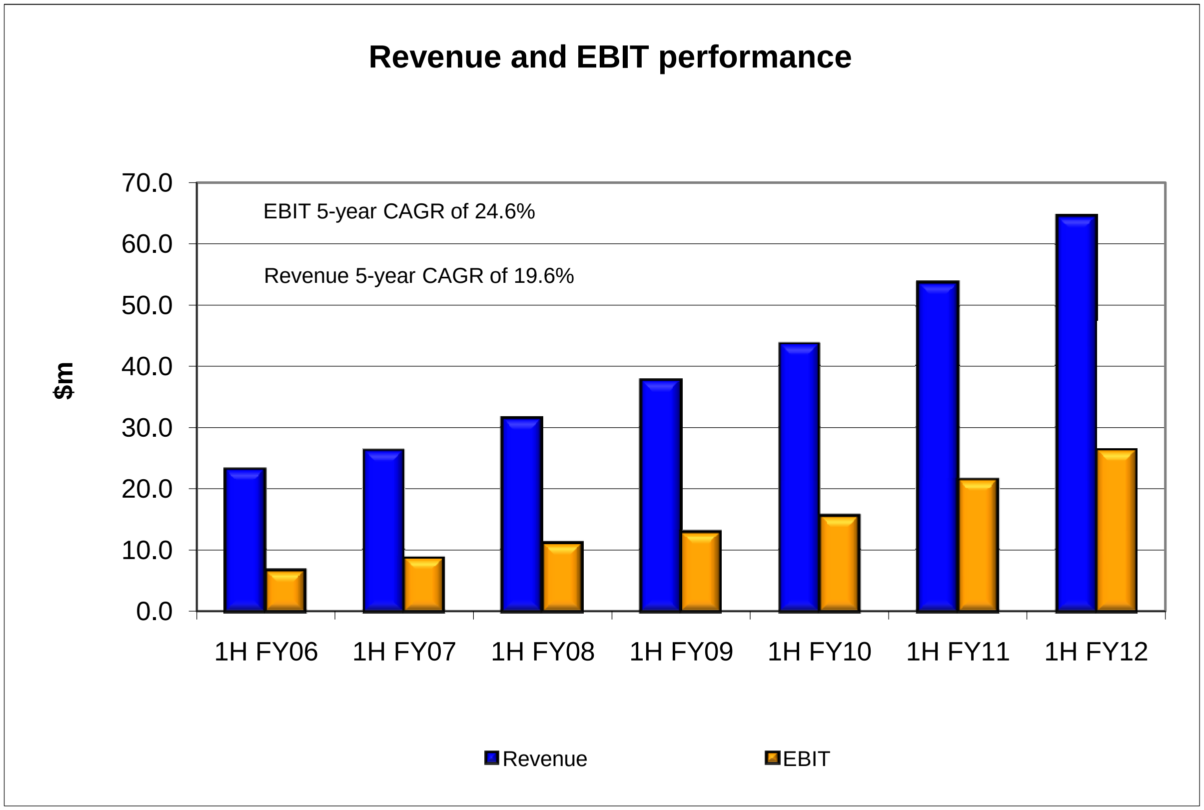
Asset Management segment definition:

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

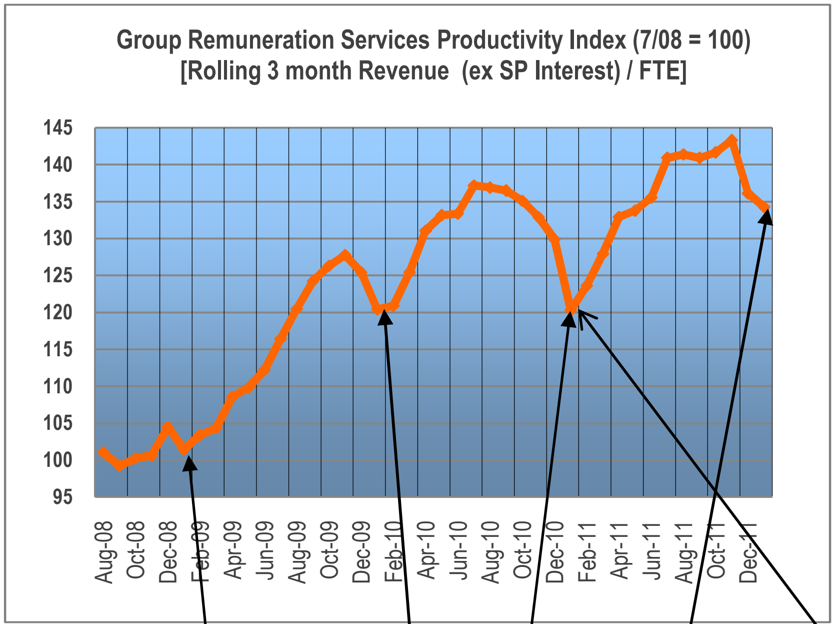
Group Remuneration Services financial performance

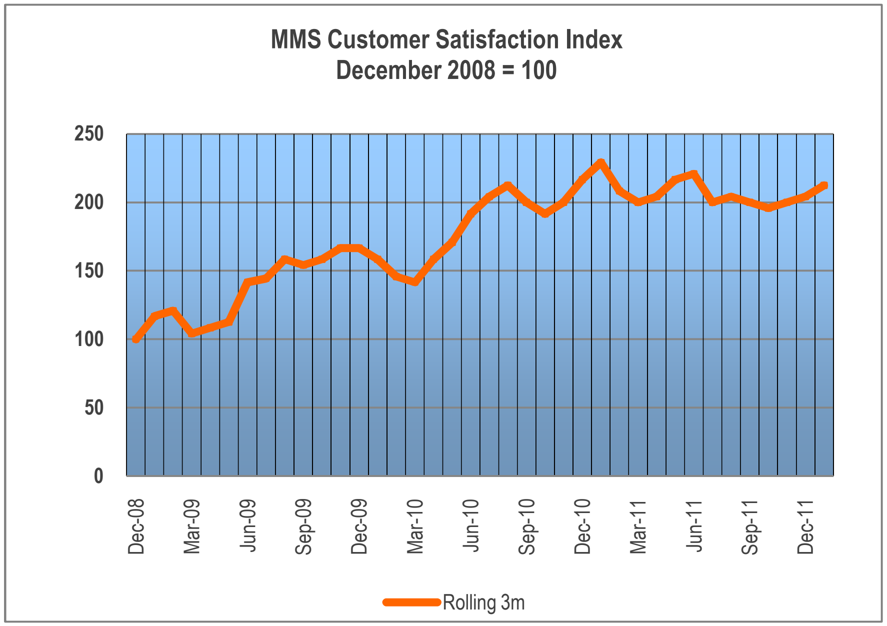
	1H FY12 $000	1H FY11 $000	% Inc	Comment
Segment revenue	64,413	53,618	20%	Ongoing organic growth.
Expenses				
Employee expenses	24,946	20,911	19%	Investing ahead of the growth curve.
Depn and amort of PPE and software	1,777	1,537	16%	Continued investment in IT systems.
Property and other expenses	11,343	9,675	17%	
Total expenses	38,066	32,123	18%	
Profit before tax	**26,347**	**21,495**	**23%**	Ongoing productivity improvements.
Tax	7,868	6,474	21%	
Net profit after tax	**18,479**	**15,021**	**23%**	

Revenue and EBIT Group Remuneration Services



Competitive strengths and performance indices





Queensland floods.

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

Group Remuneration Services commentary

- Business maintaining significant momentum on the back of excellent service delivery, strengthening reputation and improving distribution capability; leading to increasing participation, cross-sell and new business.
- Significant investment in relationship management capability.
- Good increases in both unit sales and average yield.
- No material contract losses and good pipeline of new business.
- Core operating contribution increase of 22% over PCP.
- Free cash flow of $22m.

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

Asset Management financial performance

	1H FY12 $000	1H FY11 $000	% Inc
Segment revenue	**78,593**	**82,683**[(1)]	**-5%**
Expenses			
Depreciation of motor vehicle fleet	32,693	32,079	2%
Interest on fleet financing	4,761	5,032	-5%
Lease and vehicle management expenses	23,401	28,841[(1)]	-19%
Employee and other expenses	7,662	7,257	6%
Total Expenses	68,518	73,209	-6%
Profit before tax	**10,075**	**9,474**	**6%**
Tax	3,131	2,868	9%
Net profit after tax	**6,944**	**6,606**	**5%**

Note 1: The 1HFY11 results included a release from the tyre and maintenance provision to recognise profits from “in progress” maintenance contracts.

Asset Management segment commentary

- First half performance exceeded expectations.
- Assets under finance - growth is accelerating ($19m during first six months of FY12).
- Japanese earthquake and Thai floods have delayed some deliveries, thus underlying growth in assets under finance is stronger than appears.
- Satisfactory NIM and management fees.
- Pleasing residual value performance. Used car prices in our segment remain sound.
- No credit losses.
- Interest rate risk managed through hedging facilities.
- Debt facility re-negotiated to 2015 with more favourable/flexible terms.
- New contract wins driven by unique value proposition and improved sales activities.
- Good pipeline of new business opportunities.

Asset Management key balance sheet numbers

	31-Dec-11 $000	30-Jun-11 $000
Operating lease assets	221,660	210,661
Motor vehicle inventories	2,237	1,478
Finance leases & CHP	15,161	7,948
Total funded fleet assets	239,058	220,086
Net Fleet financing borrowings	125,000	113,000
Maintenance instalments received in advance	6,536	6,306
Net assets	94,216	87,535

Gearing

	MMS & Group Remuneration Services (1) 31-Dec-11 $000	Asset Management 31-Dec-11 $000	Group Balance at 31-Dec-11 $000	Group Balance at 30-Jun-11 $000
Net debt	-11,406	123,766	112,360	114,966
Book value of equity	42,344	94,216	136,560	114,512
Gearing - net debt / (net debt + equity)	-37%	57%	45%	50%
Interest times cover			8.2	6.6

Note 1: Includes debt of $4m for the acquisition of ILA.

** As at 31st December 2011 the group remains well within its banking covenants, while better utilising surplus working capital. Headroom is available within debt facilities to deliver on business plan.

1HFY12 cash flow

	Group Remuneration Services $000	Asset Management $000	Unallocated / parent co. $000	MMS Group Total $000
Segment NPAT	**18,479**	**6,944**	**(505)**	**24,918**
Non-fleet depn/amort and fleet prov movements	2,829	788	-	3,617
Working capital inflow / (outflow)	2,833	(830)	-	2,004
Operating cashflow pre fleet increase and abnorm tax payments	24,141	6,902	(505)	30,538
Capex (non fleet) and software incl. 5 year IT systems upgrade	(1,542)	(1,622)	-	(3,164)
Free cash flow before fleet increase and abnorm tax payments	22,599	5,280	(505)	27,374
Tax payments in excess of tax expense	(917)	(996)	(645) (1)	(2,557)
Free cashflow before fleet increase	**21,682**	**4,284**	**(1,150)**	**24,817**
Net growth in Asset Management Portfolio	-	(19,149)	-	(19,149)
Free cash flow	21,682	(14,865)	(1,150)	5,668
Financing activities:				
Equity contribution	-	-	11,965	11,965
Intercompany funding	(999)	999	-	-
Net debt (repayments)/ borrowings (net of costs)	-	30,000	(13,000)	17,000
Dividends paid	-	-	(15,027)	(15,027)
	(999)	31,000	(16,062)	13,938
Net cash movement	**20,683**	**16,135**	**(17,212)**	**19,606**

Note 1: 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 Asset Management subsequent to reporting date. The objectives of the renegotiation were to:

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

The $180m Asset Management facility has:

- been extended to 31 March 2015;
- been repriced to lower the cost;
- incorporated improved capital management covenants; and
- headroom for growth.

The parent company facility of $17m as at the end of the last financial year has been reduced to $4m following the early repayments during the 1HFY12. The expiry date of 31 March 2013 for this facility remains unchanged. Additional funding initiatives are developing in accordance with our funding strategy.

1HFY12 key points

- Integrated business gaining momentum.
- Ongoing strong profitable growth in Group Remuneration Services segment.
- Assets under finance and management now accelerating growth.
- Integrated model well accepted; 94 new contracts; 11 cross sales.
- Upgrade of asset management systems is running on-time and on-budget.
- Broker and vendor financing programs successfully launched.
- Asset Management segment commenced business in New Zealand.
- Extension of credit lines on better terms reinforces MMS business model's "bankability".

1HFY12 key points (cont'd)

- Significant investment in client relationship management (people and programs).
- Good pipeline of new business.
- Business appears unaffected by current economic turmoil. Leading indicators appear strong.

Sensitivities

- New car sales.
- Second hand car values.
- Interest rates.
- Key contract tenders – South Australian Government tender announcement expected in 2HFY12. (Maxxia currently one of three panel members.)
- Uncertain global economy.

Outlook

- Ongoing organic profitable growth through:
  - New business and cross-sell from our stronger post acquisition value proposition, competitive cost of funds and flexible financing facilities.
  - Increasing participation rates within existing customer portfolio.
- Continue to invest ahead of the growth curve to ensure sustainability of business model.
- Maintain industry leading service levels.
- Look for continuing productivity improvement.
- Business well placed to maintain momentum through continuing disciplined execution of clear strategy.