MMS Group 1HFY14 Results Presentation

February 2014

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1HFY14 Key Points

- First half results materially affected by previous Federal Government's 16 July, 2013 announcement relating to the treatment of FBT on motor vehicles.
- Following the reversal of this policy by the new Federal Government on 9 September, 2013, our business commenced the process of ramping up to "business-as-usual".
- Resulting 1HFY14 Consolidated Group after tax profit of $19.3m was 35% lower than PCP. This includes reduction in revenue, increased staff costs as a result of decision to retain all staff and $2.0m for costs associated with the proposed FBT changes.
- The December 2013, Group Remuneration Services sales and revenue exceeded December 2012 PCP levels.
- Good start to 2014

1HFY14 Key Points (cont'd)

- Assets under finance and management continued to grow ($333m or 10% on PCP), despite patchy economic conditions and a very competitive market.
- CLM (UK) acquired for $A14m in October 2013. Diversification and great opportunity.
- Maxxia Finance (UK) set up in July 2013 with funding lines in place to fund assets originated by the Maxxia UK joint venture (commenced in Feb 2013) and CLM.
- New Australian asset management system successfully delivered in July 2013 (5 year write off period from 1 July 2013 - annual depreciation charge of $1.9m).
- Competition intensifying in both segments but good pipeline of new business opportunities.
- Business and staff proved very resilient in the face of proposed FBT changes and well placed for 2HFY14.

Consolidated Financial Performance

	1HFY14 $000 Group Remuneration Services	1HFY13 $000 Group Remuneration Services	% Increase	1HFY14 $000 Asset Management (1)	1HFY13 $000 Asset Management	% Increase	1HFY14 $000 Total	1HFY13 $000 Total
Revenue from operating activities	70,548	75,757	-7%	90,978	84,396	8%	161,526	160,153
Expenses	50,666	44,354	14%	81,089	73,982	10%	131,755	118,336
Pre tax profit from operating activities	19,882	31,403	-37%	9,889	10,414	-5%	29,771	41,817
Operating margin	28.2%	41.5%		10.9%	12.3%		18.4%	26.1%
Tax	6,644	9,413	-29%	2,966	3,124	-5%	9,610	12,537
Segment net profit after tax pre-UK JV	**13,238**	**21,990**	**-40%**	**6,923**	**7,290**	**-5%**	**20,161**	**29,280**
Unallocated items								
Interest income							1,041	1,332
Public company costs							(894)	(667)
Tax on unallocated items							(44)	(198)
Profit after tax from operating activities pre-UK JV							**20,264**	**29,747**
							-31.9%	**19.4%**
Share of JV				(546)	-		(546)	-
CLM acquisition expenses (after tax)							(459)	-
Net profit after tax	**13,238**	**21,990**		**6,377**	**7,290**		**19,259**	**29,747**
NPAT growth							**-35.3%**	**19.4%**
Return on equity							19%	34%
Basic earnings per share (cents)							25.84	39.91
Diluted earnings per share (cents)							25.36	39.28
Diluted EPS growth							**-35.4%**	**13.4%**
Interim dividend declared per share (cents)							21.00	24.00
Payout ratio							81%	60%

(1) Includes CLM acquisition from 22 October 2013

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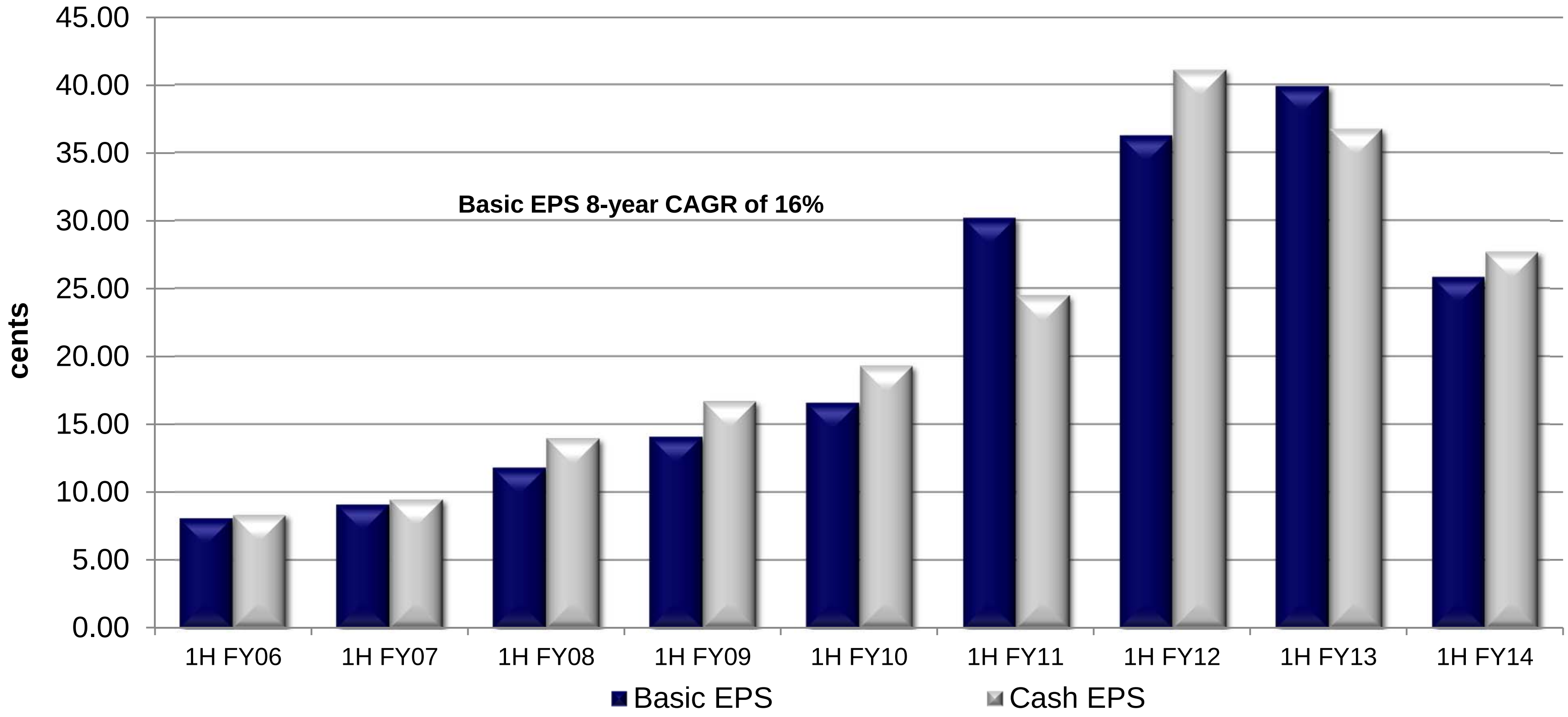
Financials – Key Points

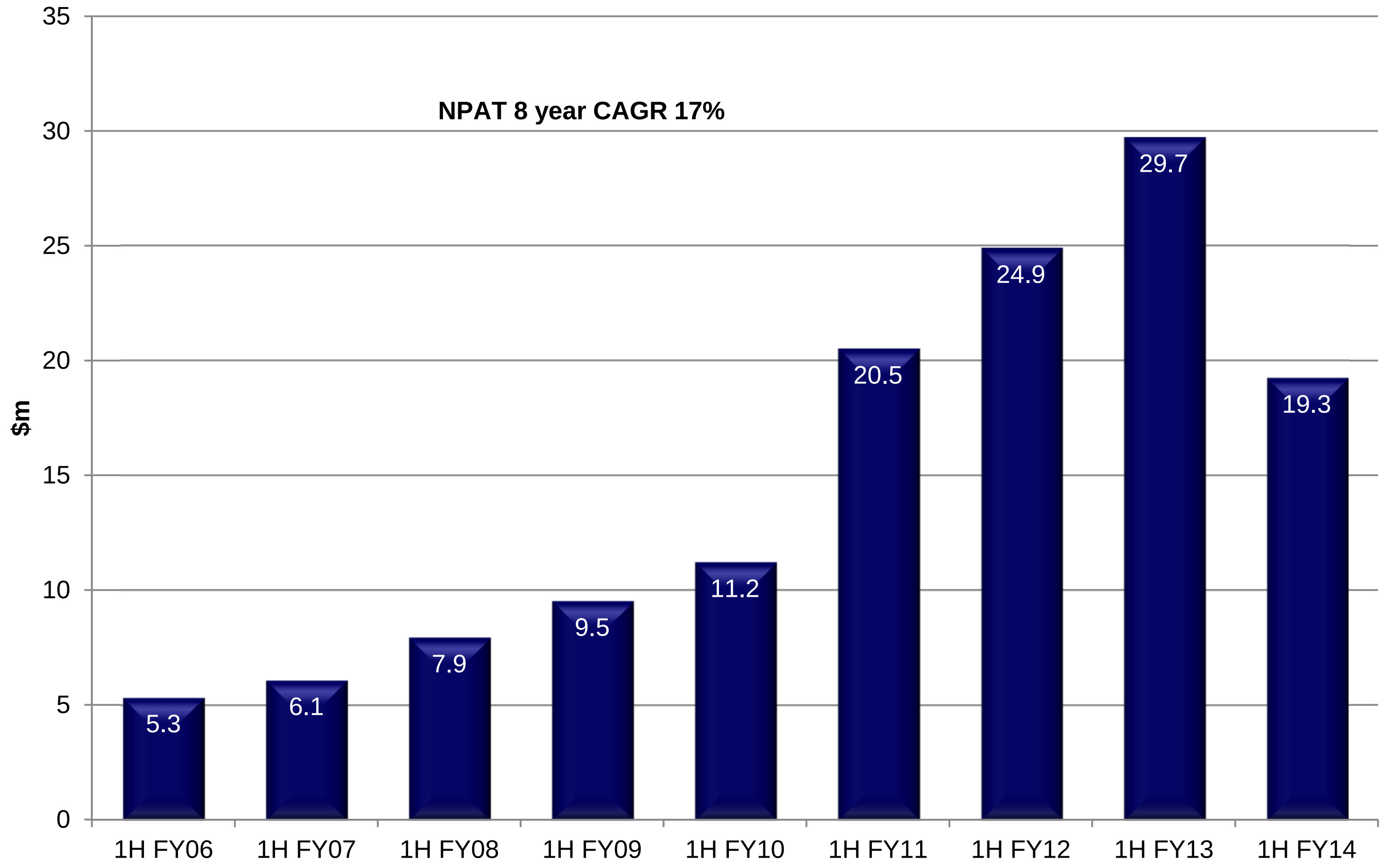
- Consolidated NPAT $19.3m ($10.5m or 35% less than PCP).
- Group Remuneration Services NPAT $13.2m ($8.7m or 40% less than PCP).
- Asset Management NPAT $6.4m, $6.6m excluding the UK JV ($0.7m or 9% less than PCP ex UK). Excluding remarketing profits and new system depreciation, Australian/NZ NPAT grew by 13% on PCP.
- Interim dividend of 21 cents per share.
- Basic EPS of 25.8 cps (39.9 cps PCP) (35% decrease).
- ROE reduced to 19% due to FBT disruption
- Free cash flow of $19.9m (pre fleet increase)103% of NPAT, notwithstanding the impact of proposed FBT changes.

Earnings Per Share



Cash EPS after CAPEX but excludes the investment in fleet growth. FY11, FY12, FY13 and FY14 EPS includes funding the major systems upgrade as part of 5 year IT strategy.

NPAT Performance



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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. This segment includes our business's in Australia, New Zealand and United Kingdom.

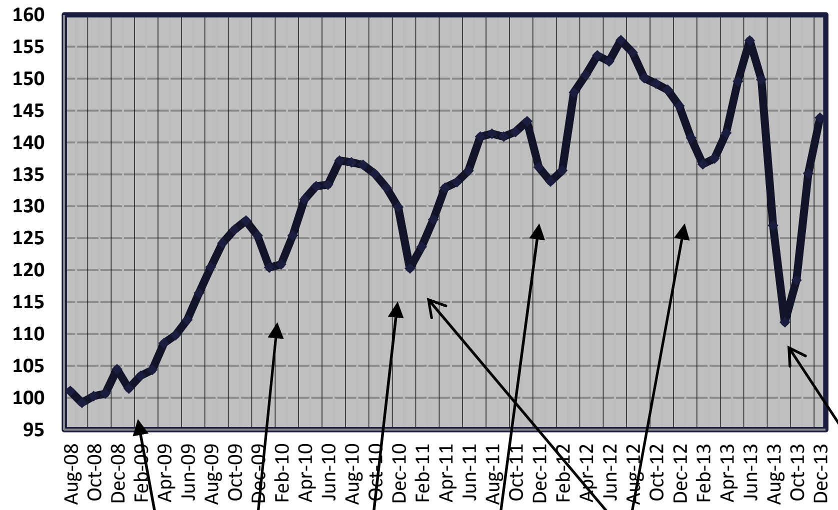
Group Remuneration Services Financial Performance

	1HFY14 $000	1HFY13 $000	% Inc
Segment revenue [1]	70,548	75,757	-7%
Expenses			
Employee expenses	34,655	30,891	12%
Depn and amort of PPE and software	1,796	1,808	-1%
Property and other expenses	12,227	11,655	5%
Total expenses	48,678	44,354	10%
Profit before tax	21,870	31,403	-30%
Tax	6,644	9,413	-29%
Net profit after tax before campaign costs	15,226	21,990	-31%
FBT campaign costs (after tax)	1,988	-	-
Net profit after tax	13,238	21,990	-40%

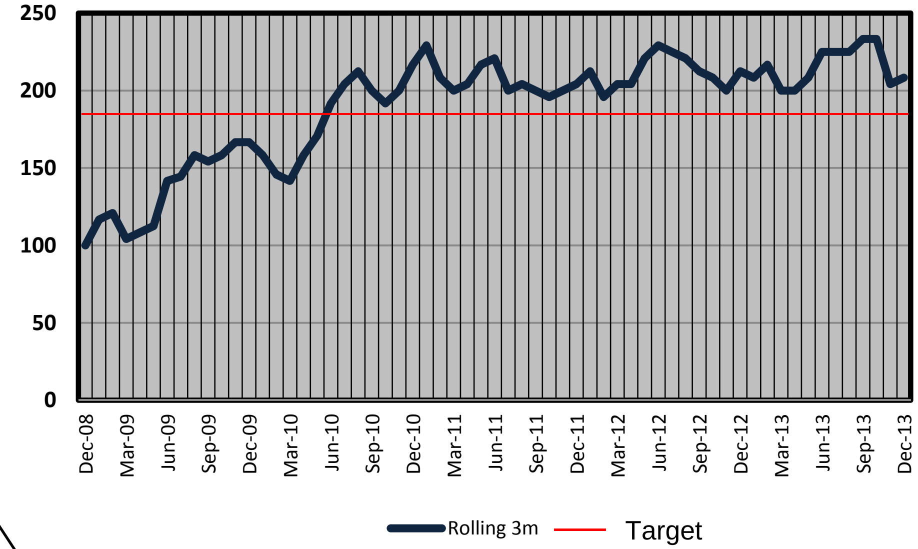
1. Excluding the impact of interest derived from external funds administered, revenue was lower by 6%

Competitive Strengths and Performance Indices

Group Remuneration Services Productivity Index (7/08 = 100)
[Rolling 3 month Revenue (ex SP Interest) / FTE]



MMS Customer Satisfaction Index
December 2008 = 100

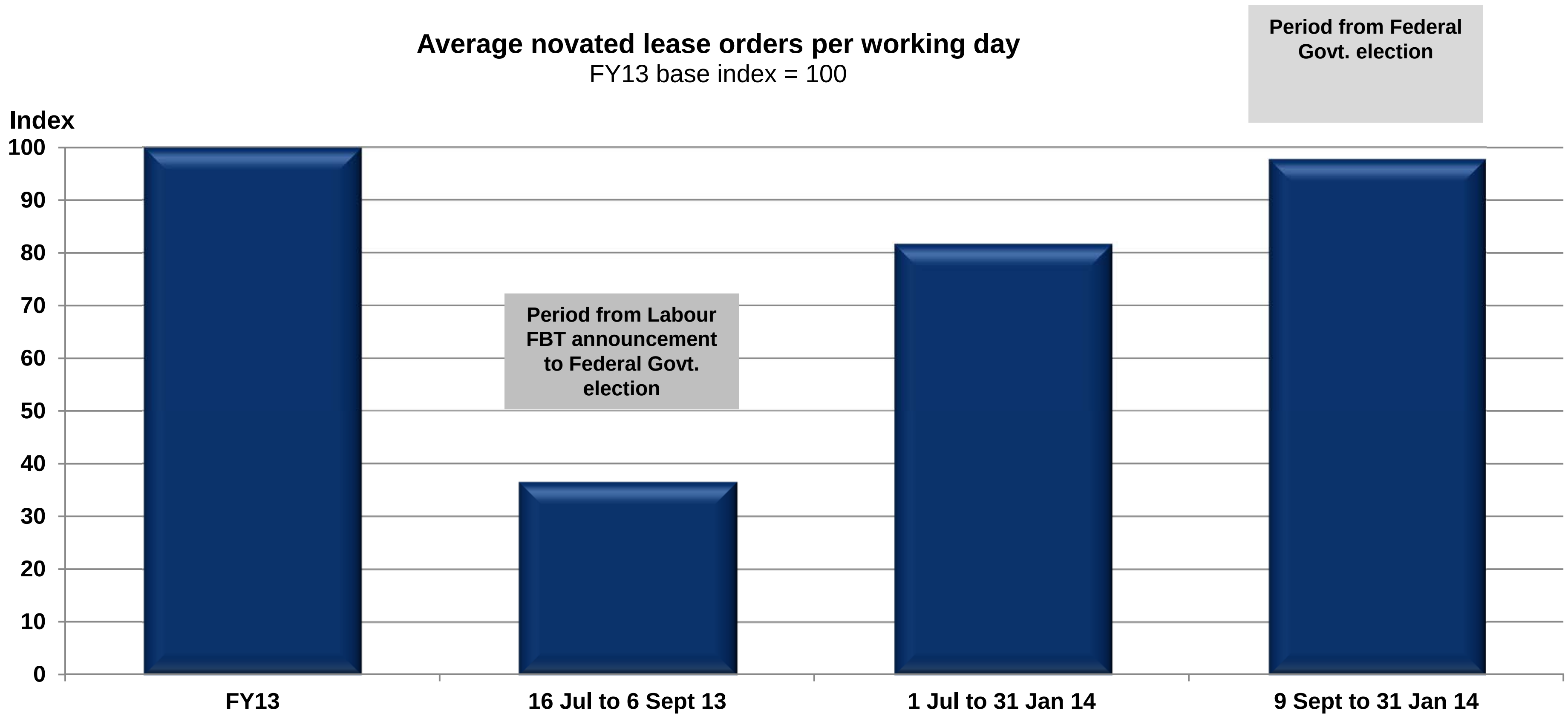


Proposed FBT changes

Queensland floods.

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

Novated lease orders YTD FY14



Group Remuneration Services Commentary

- NPAT 1HFY14 of $13.2m was $8.7m or 40% lower than PCP, including reduction in revenue, increased staff costs as a result of decision to retain all staff and $1.9m for costs associated with the proposed FBT changes.
- Core operating contribution decline of 39.1%.
- Strong free cash flow of $15.2m.
- Maintained customer metrics above benchmarks.
- Good pipeline of new business.
- Return to business as usual with December 2013 and January 2014 revenue exceeding PCP.

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

Asset Management (AM) Financial Performance

	Group AM 1HFY14 $000	CLM & UK AM 1HFY14 $000	Australia AM 1HFY14 $000	Group and Australia AM 1HFY13 $000	Group AM % Inc	Australia AM % Inc	
Segment revenue	**90,978**	**5,461**	**85,517**	**84,396**	**8%**	**1%**	(1)
Expenses							
Depreciation of motor vehicle fleet	40,297	48	40,249	35,984	12%	12%	
Interest on fleet financing	5,654	98	5,556	5,469	3%	2%	
Lease and vehicle management expenses	23,963	3,600	20,363	23,988	-%	-15%	(1)
Depn & amort of PPE, intangibles & software	1,295	72	1,223	421	208%	191%	
Employee and other expenses	9,880	1,235	8,645	8,120	21%	6%	
Total expenses	**81,089**	**5,053**	**76,036**	**73,982**	**10%**	**3%**	
Profit before tax	**9,889**	**408**	**9,481**	**10,414**	**-5%**	**-9%**	
Tax	2,966	90	2,876	3,124	**-5%**	**-8%**	
Net profit after tax excluding UK JV	**6,923**	**318**	**6,605**	**7,290**	**-5%**	**-9%**	
Share of JV	(546)	(546)	-	-			
Net profit after tax including JV	**6,377**	**(228)**	**6,605**	**7,290**	**-13%**	**-9%**	

Note 1: Impacted by reduced motor vehicle unit sales and yield.

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Asset Management Commentary

- 10% portfolio growth on PCP in a low growth economic environment.
- Commenced funding in the UK.
- Implemented new asset management system on time and on budget – this has improved capability to better service customers.
- Depreciation cost (first time) of new asset management system (full 6 months - $950k).
- Ex remarketing profits (reduced by $900k vs PCP) and new system depreciation NPAT grew by 13% over PCP.
- Highly competitive environment led by procurement specialists – NIM under pressure, but holding up and new funding lines will reduce cost of funds.

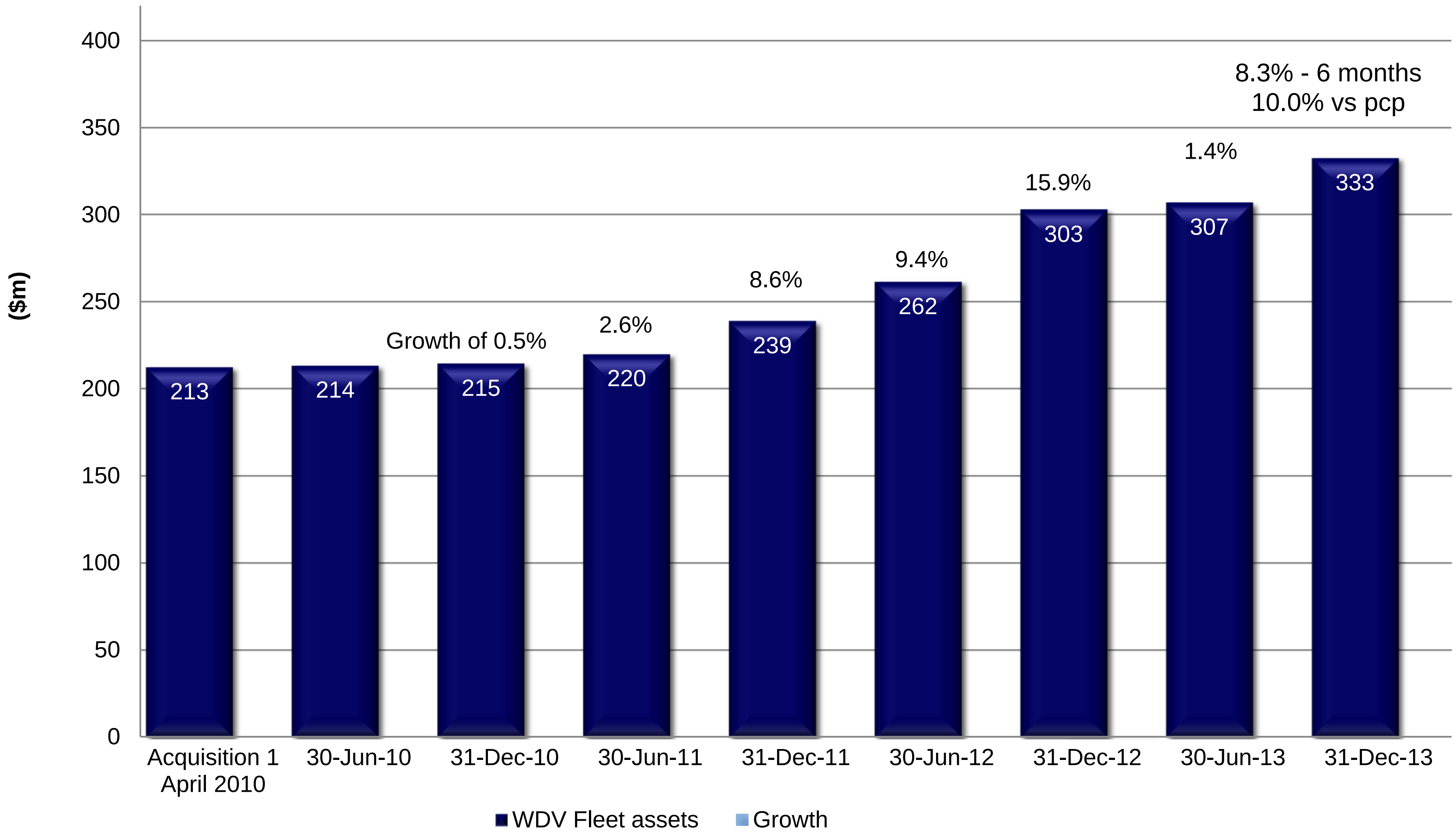
Asset Management Commentary (cont'd)

- 16/7/13 (Proposed FBT changes) caused considerable confusion in respect of tool of trade vehicles (move from Statutory to Operating Cost method) - customers elected to delay replacements.
- Uncertain economic conditions to 31 December 2013 meant significant number of lease extensions rather than investing in new assets i.e. fewer cars returning for remarketing.
- Increasing pipeline of opportunities.
- No credit losses in first half.
- Funding – extended to February 2017, on improved terms – club now has 3 of the 4 tier 1 Australian banks and funds in Australia, NZ and UK.

Asset Management Commentary (cont'd)

- UK performing in line with expectations – integrating the CLM acquisition.
- Funding of CLM customers commenced January 2014.
- RV provision at 31 December 2013 of $2.0m.

Fleet Assets WDV



Asset Management Key Balance Sheet Numbers

	31-Dec-13 $000	30-Jun-13 $000	Movement $000
Operating lease assets	305,190	287,749	17,441
Motor vehicle inventories	5,507	4,844	663
Finance leases & CHP	21,972	14,577	7,395
Total funded fleet assets	332,669	307,170	25,499
Fleet financing borrowings	196,638	182,000	14,638
Maintenance instalments received in advance	7,261	7,626	-365
Net assets (1)	117,000	102,718	14,282

Note 1: Increase includes investment in CLM and establishment of funding entities in the UK and NZ.

Gearing

	MMS & Group Remuneration Services 31-Dec-13 $000	Asset Management 31-Dec-13 $000	Group Balance at 31-Dec-13 $000	Group Balance at 30-Jun-13 $000
Net debt	(37,459)	195,665	158,206	124,761
Book value of equity	85,594	117,000	202,595	195,435
Gearing - net debt / (net debt + equity)	(91%)	63%	44%	39%
Interest times cover			7.4 (1)	11.6
Debt to total funded fleet WDV		59%		

As at 31 December 2013 the group remains well within its banking covenants, while optimising the use of surplus cash to increase returns. Significant headroom is available within debt facilities to deliver on business plan.

Note 1: The drop in interest times cover from 11.6 to 7.4 is due to the impact of the, now redundant, proposed FBT changes on motor vehicles.

1HFY14 Cashflow

	Group Remuneration Services $000	Asset Management $000	Unallocated / parent co. $000	MMS Group Total $000
Segment NPAT	13,238	6,377	(356)	19,259
Non-fleet depn/amort, reserves and other non-cash items	3,155	2,014	-	5,169
Working capital inflow / (outflow)	4,685	(2,091)	-	2,594
Operating cashflow pre fleet increase and abnormal tax payments	21,078	6,300	(356)	27,022
Capex (non fleet & ex-sales) and software incl. 5 year IT systems upgrade	(2,921)	(950)	-	(3,871)
Free cash flow before fleet increase and abnormal tax payments	18,157	5,350	(356)	23,151
Tax payments in (excess) of / lower than tax expense	(2,909)	(383)	-	(3,292)
Free cashflow before fleet increase	15,248	4,967	(356)	19,859
Investing activities and fleet increase:				
Investment in UK acquisition (net of cash acquired, excl acquisition exp)	-	(12,418)	-	(12,418)
Subordinated loan to UK JV	-	(1,251)	-	(1,251)
Net growth in Asset Management Portfolio	-	(23,595)	-	(23,595)
Free cash flow	15,248	(32,297)	(356)	(17,405)
Financing activities:				
Equity/ investment contribution	-	9,200	(9,200)	-
Intercompany funding	(9,461)	9,461	-	-
Debt borrowings (net of costs)	-	14,790	-	14,790
Dividends paid	-	-	(13,414)	(13,414)
	(9,461)	33,451	(22,614)	1,376
Net cash movement	5,787	1,154	(22,970)	(16,029)

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Funding

- Additional major Australian bank added to the MMS Club funding facility bringing the total to 3 of the 4 major Australian banks.
- Terms and credit approval has been obtained to extend the Club facility to February 2017 with an increase in the facility limit to $A300m and £25m on more favourable terms (documentation expected to be finalised in March 2014).
- Cash as at 31 December 2013 $41.2m

Outlook

- Second half should see a continuing improvement in the Group Remuneration Services business.
- Phase 2 of salary packaging systems development due to be delivered by July 2014, driving improved service and greater productivity.
- Growth in assets under finance and management, notwithstanding intense competition.
- Business well placed to acquire opportunistically in current or adjacent products, services and markets.

Risks and Sensitivities

- Interest rates movements (earnings on float).
- Second hand car prices (remarketing earnings).
- New car sales (novated lease participation).
- Government austerity/redundancy programs.
- Delivery of new IT programs/increased depreciation.
- Government policy development.

MMS Snapshot

McMillan Shakespeare Group (ASX: MMS)

Group Remuneration Services

- Salary packaging administration
- Novated leases
- Hospitals, health & charity workers
- Public and private sector lease programs
- Over 800 customers
- Circa 1m employees employed by customers
- Annual administration fee
- Transaction fees on leases
- Growth opportunity in packaging
- Lease penetration growth opportunity, private sector

Asset Management

- Australia & NZ
- United Kingdom
  - Maxxia Finance UK
  - CLM (100% owned)
    - JV (50% owned)

- Fleet Management
- Operating leases, finance leases
- Mainly corporate customer base
- Balanced revenue
- Stream of management fees, NIM, in-life services
- Profit on sale, RV risks on balance sheet
- UK growth opportunity, bank dominated, Basel III
- Competitive cost of funds
- Maxxia Finance UK finance assets managed by JV
- CLM acquired Oct'13