

## McMillan Shakespeare Limited

### Chairman's AGM Address

### 29 October 2014

I am sure I do not need to remind shareholders that the 2014 financial year was extremely challenging for the McMillan Shakespeare Group. It has been a year of significant disruption but also one of recovery and, in the second half, a return to the MMS tradition of the delivery of strong profitable growth for shareholders. However, due to the proposed FBT changes and loss of revenue from July to September 2013, full year profit was down from \$62m in FY13 to \$55m. The key one off impacts were the loss of novated leasing revenue, a higher expense ratio due to our decision to retain our staff and costs associated with the proposed FBT changes.

The proposed changes to FBT were discussed at length at last year's AGM. By that time, a new government had been elected. The unanswered question last October was the pace at which the business would recover. That question has now been conclusively answered. Your Board is delighted with the rapidity of the recovery. After a severely impacted first half, your Company and its staff have delivered an excellent second half. Despite entering the second half without our traditional momentum, and in the face of patchy economic conditions, second half NPAT increased by 10% on 2013 to \$35.7m.

The Remuneration Services segment, in which our novated leasing revenues reside, grew revenue by 8% and NPAT by 16%, in the second half compared to the same period in 2013, thereby demonstrating conclusively that any after-effects of the proposed FBT changes have been consigned to history. Shareholders will not underestimate the resilience and perseverance of MMS staff during this difficult period. As can be seen, the loyalty the company showed its staff in the first half, has been well and truly rewarded in the second half.

Your Board has declared a dividend of 31c making the full year total 52c. This payout ratio is a little higher than normal and reflects our decision to "top up" last year's dividend which was reduced in the face of the FBT changes. It also reflects our confidence that we are back to business as usual.

Notwithstanding the distraction of the first half, the people of MMS have been very busy improving our processes and systems and investing in the future. I will leave it to our new Chief Executive, Mike Salisbury to take you through the detail but from the Board's perspective, we are delighted with the progress that is being made in terms of customer service, productivity and the pursuit of new opportunities. The UK in particular looks to be an investment that is well timed and has the potential in the medium to long term to be a sizable part of our future.

2014 has also been a significant year in that we have seen the retirement of two of our Board members and our CEO and MD.

Graeme McMahon, well known to many of you as the former CEO of Ansett Airways and President of the Essendon Football Club resigned due to illness in November last year. Sadly, Graeme passed away on 1 July 2014.

Graeme had been a Board member since listing and his contribution to the success of our company was as big as the man himself. Always fearlessly independent, Graeme's knowledge of business and people, together with his calmness and poise under pressure, made him the perfect Director for a company that has

grown so quickly and faced so many challenges along the way. Graeme is sorely missed by his friends and family, and all of us here at MMS.

Anthony Podesta retired as Director in February 2014 after almost 30 years with the Company as Founder & CEO until 2008, and then as a Director. As the founder of not just MMS but the salary packaging industry itself, Anthony's contribution was incalculable. Anthony was awarded the E&Y Entrepreneur of the Year in 2013 in acknowledgement of what he achieved at MMS. Anthony too will be sorely missed and we wish him the very best in his well-deserved retirement. He leaves a great legacy at MMS and is an inspiration to budding Australian entrepreneurs – we need more of them in this country.

I will finish with a few words on our strategy and the new leadership team. Since 2008 your Board has pursued a clear strategy. We want to maintain and build upon our number one position in salary packaging administration and novated leasing. Our position in those attractive segments improves each year, and we see no reason not to continue to build upon what has been a wonderful business for customers and shareholders. At the same time, we want to continue with our strategy of diversifying the business so that more of its revenues are sourced from outside FBT laws. This diversification must be strategically related to our current business, in areas where we have demonstrated competence and can achieve cost and/or revenue synergies. The acquisition of Interleasing/Holden Leasing in 2010 was part of that strategy as was the commencement of business in the UK in FY2013.

Being determined to continue with this strategy, it was vital that the Board keep our very talented senior management team together. With the accession of Mike Salisbury to CEO (as you know, he was MD of our RemServ business) and the re-commitment of our entire executive team, shareholders can be confident of a seamless transition from old to new CEO, with no loss of focus and the retention of priceless corporate memory.

In summary, your Board sees your Company as having fully recovered from the challenges of 2014 and it is well placed to continue its tradition of delivering value for shareholders in 2015 and beyond.

My comments would not be complete without paying tribute to Michael Kay.

Over his six year term of tenure as Chief Executive Officer, Michael developed a culture within our people of self-belief, ownership of roles and tasks and working together as a team to achieve the best corporate outcome for the business as a whole.

He built, forged and led a great Executive and Management team to achieve substantial annual growth in the core business whilst at the same time executing and advancing the diversification acquisitions of Interleasing and Maxxia UK.

Your Board and the McMillian Shakespeare Group is indebted to Michael for the considerable role he has played in leading the McMillian Shakespeare Group to where it is today.

It is now my pleasure to hand over to our new CEO, Mike Salisbury.