# MMS Group FY16
# Half Year Presentation

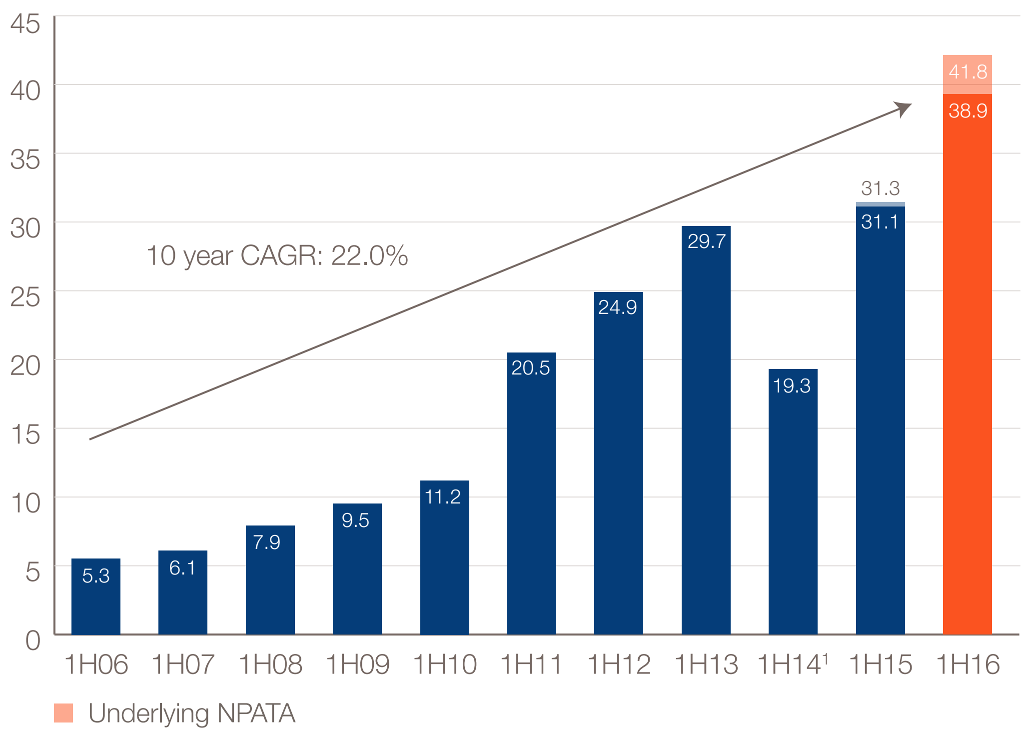
Presenters
Mike Salisbury, CEO
Mark Blackburn, CFO

McMillanShakespeareGroup

# Overview and performance

# MMS maintains growth trajectory

## NPAT performance ($m)




1. 1H14 NPAT was negatively impacted by the former government's proposed changes to novated leasing
2. Revenue represents segment revenue and excludes interest income of $0.8m which is accounted for as non-segment revenue
3. Underlying NPATA excludes one-off payments in relation to transaction costs incurred for the acquisition of UFS in July 2015 and Anglo Scottish in November 2015 and amortisation of aquisition intangibles
4. Free Operating Cash Flow before investing, financing activities and fleet increases

Revenue[2] up 34.4% to
**$243.5 million**

EBITDA up 38.9% to
**$65.8 million**

NPAT up 25.1% to
**$38.9 million**

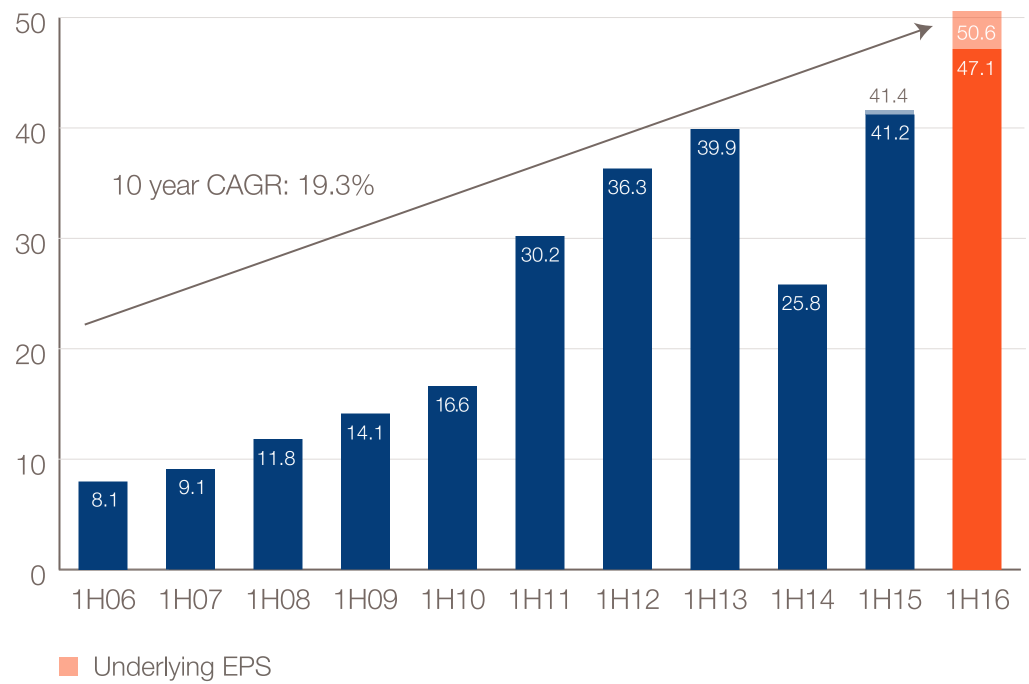
Underlying NPATA[3] up 33.6% to
**$41.8 million**

Free Cash Flow[4] up 54.0% to
**$53.9 million**

Compared to previous corresponding period

# Underlying EPS up 22%

## EPS and Underlying EPS[2] (cents)




EPS up 14.4% to
**47.1 cents/share**

Underlying EPS up 22.2% to
**50.6 cents/share**

Dividend payout ratio of
**61.6% of NPAT**

Fully franked interim dividend
**29 cents/share**
(vs 25 cents/share pcp)

Compared to previous corresponding period

1. 1H14 NPAT was negatively impacted by the former government's proposed changes to novated leasing
2. Underlying EPS calculated using Underlying NPATA

# Complementary diversification across the MMS Group

| | Group Remuneration Services | Asset Management | Retail Financial Services |
|---|---|---|---|
| Brands | Maxxia, RemServ | CLM, AngloScottish, Holden Leasing, Maxxia, Interleasing | Presidian, United Financial Services |
| Primary service | – Salary packaging<br>– Novated leases | – Vehicle fleet leasing and management<br>– Used vehicle retail sales | – Vehicle finance, insurance and warranty broking |
| Customers | – Hospitals, health & charity workers<br>– Public and private sector | – Predominantly corporate customer base | – Retail customer base<br>– Dealer, broker and retail network |
| Distribution | – Over 800 customers<br>– Circa 1.0 million employees | – Over 450 customers<br>– Select brokers | – 4,000+ active dealers<br>– 600 finance brokers |
| Key operating statistics | – 276,000 salary packages<br>– 53,400 novated leases | – 39,200 total assets managed<br>– $437.8m total assets funded<br>– $114.1m net amount financed[1] | – $450.7m net amount financed[2]<br>– $12.9m gross written premium[2]<br>– 39,400 warranty products[2] |
| Growth strategy | – Target organic growth via existing clients and new business<br>– Broaden product suite (Maxxia Plus)<br>– Consider strategic acquisitions | – Initiate P&A funding arrangements (“capital light” business model)<br>– Consider selective acquisitions in the UK | – Organic growth and capture of all identified synergies (revenue and cost)<br>– Invest in brokers within existing network<br>– Broaden asset class |

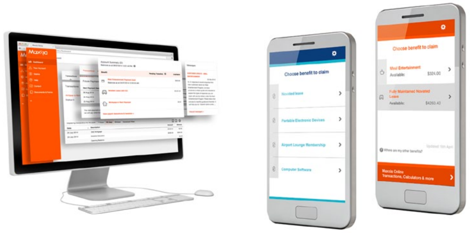
1. Includes Anglo Scottish ownership for two months
2. Includes Presidian ownership for six months and UFS ownership for five months

# 1H16 Highlights

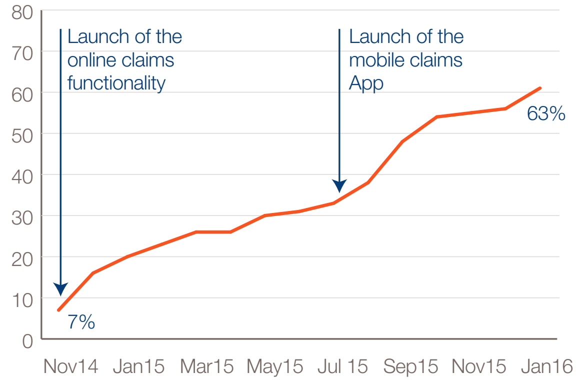
- Strong performance from the GRS business with revenue increasing 10% and segment NPAT increasing 15% driven by organic growth, new business wins and continued focus on cost control
  - New business, highlighted by two recent salary packaging wins with NSW local health districts and the retention of two existing contracts with the SA Government and Tasmania Health (both exclusive)
- Notwithstanding the Australian fleet leasing market remains highly competitive AM recorded profit growth
- Growing momentum within the UK operations (AM segment) driving continued growth profile
  - Portion of UK fleet was moved off balance sheet as part of P&A funding arrangement
- RFS segment contributes $11.2m EBITDA
  - Initial acquisition synergies have contributed to the growth of profitability across the Group with further synergies to be realised in the near to medium term
- Continued disciplined approach taken to acquiring businesses that are complementary to our core competencies
  - UFS acquired 31 July 2015; Anglo Scottish acquired 4 November 2015

# Technology driving improved cost to serve

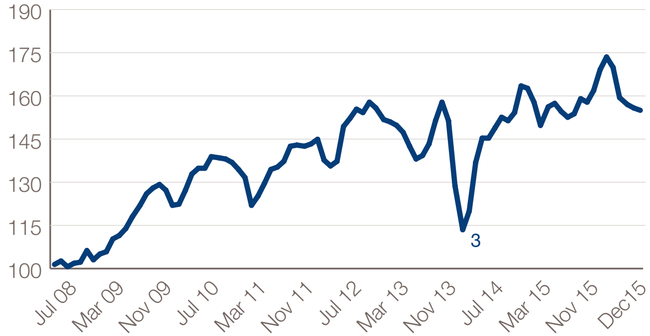
- Successful launch of the mobile claims App in August 2015 driving improved customer satisfaction and improved cost to serve
  - In excess of 35,000 App downloads since launch



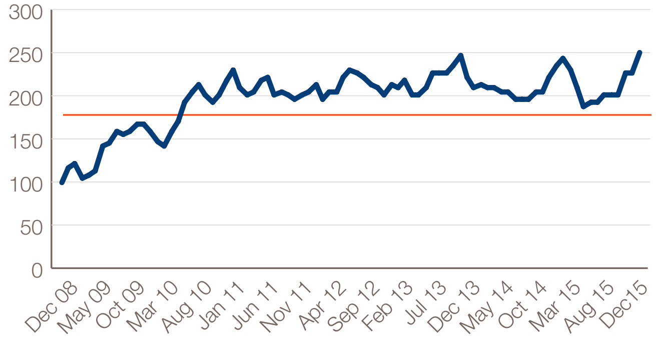
## On-line claims take-up rate (%)




## Productivity index[1]




## Customer satisfaction index[2]

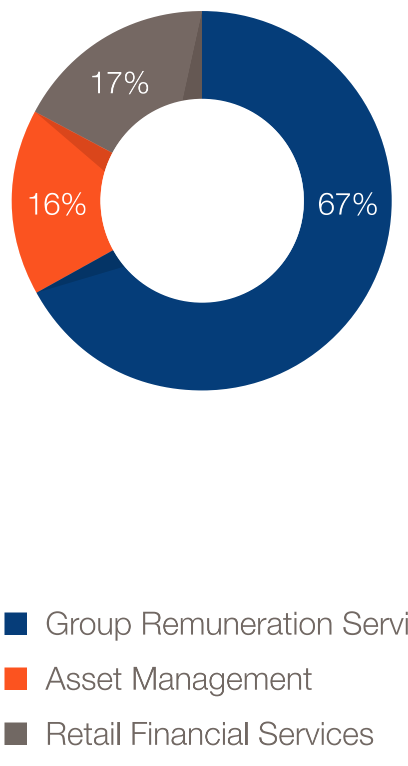



1. Rolling three month revenue (ex SP interest)/FTE
2. Based on net promoter score
3. Negatively impacted by the former government's proposed changes to novated leasing

# Consolidated financial performance

| $m | 1H16 | 1H15 | Variance |
|---|---|---|---|
| **Revenue** | 243.5 | 181.2 | 34.4% |
| Expenses | 177.7 | 133.8 | 32.8% |
| **EBITDA** | 65.8 | 47.4 | 38.9% |
| D&A of PPE and software | 4.4 | 3.7 | 17.8% |
| Amortisation of intangibles (acquisitions) | 1.6 | 0.2 | >100.0% |
| **NPBT** | 59.8 | 43.4 | 37.6% |
| *Operating margin* | *24.6%* | *24.0%* | |
| Tax | 18.0 | 12.1 | 48.7% |
| **Segment NPAT pre-UK JV** | 41.8 | 31.3 | 33.4% |
| Unallocated items | (0.6) | 0.3 | >(100.0)% |
| Share of UK JV | (0.6) | (0.6) | - |
| Acquisition expense for business combination | (1.7) | - | - |
| **NPAT** | 38.9 | 31.1 | 25.1% |
| **Underlying NPATA**[1] | 41.8 | 31.3 | 33.6% |
| **Key metrics** | | | |
| Return on equity | 23.0% | 26.6% | |
| Return on capital employed[2] | 20.5% | 25.0% | |
| Basic earnings per share (cents) | 47.1 | 41.2 | 14.4% |
| Diluted earnings per share (cents) | 47.0 | 41.0 | 14.7% |
| Interim dividend paid per share (cents) | 29.0 | 25.0 | 16.0% |
| Payout ratio | 61.6% | 60.7% | |

## 1H16 Underlying NPATA




1. Excludes one-off payments in relation to transaction costs incurred for the acquisition of UFS in July 2015 and Anglo Scottish in November 2015 and amortisation of aquisition intangibles
2. Return on capital employed is calculated as earnings before interest and tax (EBIT) divided by average capital employed for the period

# Segment performance and outlook

# Group Remuneration Services
## Financial Performance

| $m | 1H16 | 1H15 | Variance |
|---|---|---|---|
| **Revenue** | **91.4** | **82.8** | **10.4%** |
| Employee expenses | 36.8 | 34.6 | 6.4% |
| Property & other expenses | 12.3 | 12.0 | 2.5% |
| **EBITDA** | **42.3** | **36.2** | **16.9%** |
| *EBITDA margin* | 46.3% | 43.7% | |
| **Segment NPAT/UNPATA[1]** | **28.3** | **24.6** | **15.0%** |
| *NPAT margin* | *31.0%* | *29.7%* | |
| **Key metrics** | | | |
| Salary packages (units) | 276,000 | 259,600 | 6.3% |
| Novated leases (fleet units) | 53,400 | 48,100 | 11.0% |
| Direct employees (FTE's)[2] | 559 | 563 | (0.7)% |

| | | | |
|---|---|---|---|
| **Key financials excluding impact of interest** | | | |
| Revenue | 86.6 | 77.7 | 11.5% |
| EBITDA | 37.5 | 31.1 | 20.6% |

## Commentary

- Revenue growth of 10.4% on pcp with key revenue drivers (number of salary packages and novated leases) both contributing positively to uplift
- Segment NPAT margin improvement of 1.3% to 31.0% driven by continued cost control
  – Aided by technology advancements

## Outlook

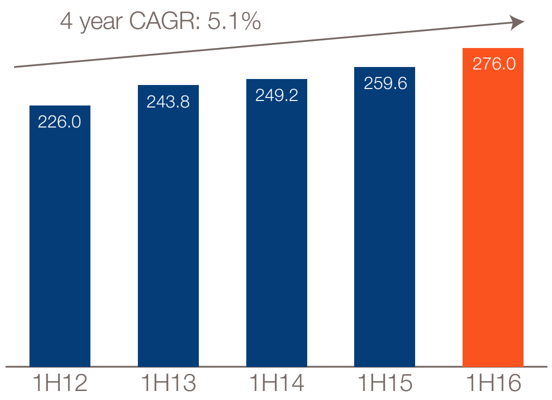
- Benefit from a number of recent wins and the retention of contracts with SA Government and Tasmania Health (both exclusive)
- Continue technology development to drive further margin improvement
- Broadening the product suite through the launch of Maxxia Plus

1. Excludes unallocated items
2. Direct employees excludes back office functions such as finance, IT, HR and marketing

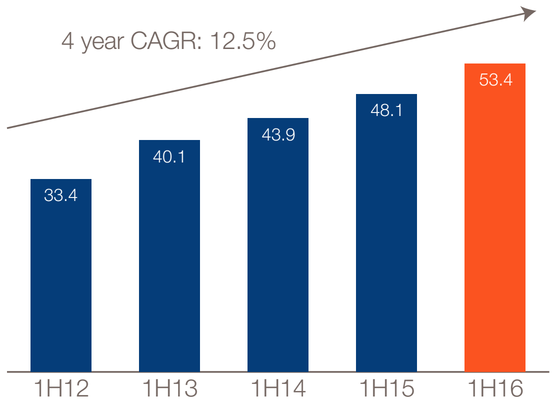
# Group Remuneration Services

## Operating Metrics

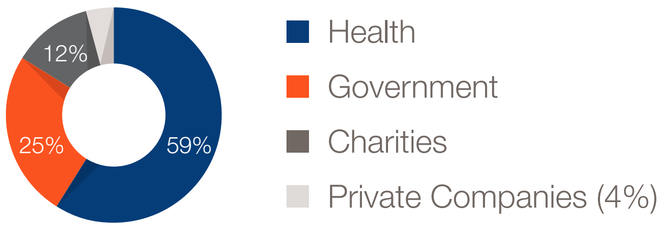
### Salary packages (000)[1]




### Novated vehicles (000)[2]




### 1H16 Sector breakdown (salary packages)




1. Total number of salary packages at period end
2. Novated leases under management at period end

### Commentary

- Organic growth via increased participation and new contract wins contributing to the increase in the number of salary packages and novated leases
  – Increase of 16,400 salary packages split between new business of 10,500 and increased participation of 5,900
- Recent new business wins include two NSW Health organisations of 13,000 employees (duration to 2021) and recent retained contracts include the SA Government (2023) and Tasmania Health (2021) (both exclusive
- The Queensland Government contract currently under tender

# Asset Management – Australia / New Zealand
## Financial Performance

| $m | 1H16 | 1H15 | Variance |
|---|---|---|---|
| **Revenue** | **87.0** | **90.9** | **(4.3)%** |
| Fleet depreciation | 39.4 | 40.2 | (2.0)% |
| Lease and vehicle management expenses | 25.0 | 27.7 | (9.7)% |
| Employee and other expenses | 12.1 | 13.1 | (7.6)% |
| **EBITDA** | **10.5** | **9.9** | **6.1%** |
| *EBITDA margin* | *12.1%* | *10.9%* | |
| **Segment NPAT/UNPATA[1]** | **6.3** | **6.1** | **3.3%** |
| *NPAT margin* | *7.2%* | *6.7%* | |
| **Key metrics** | | | |
| Return on assets (%) | 4.0% | 3.9% | |
| Assets managed (units)[2] | 24,000 | 22,900 | 4.8% |
| Assets written down value ($m) | 311.9 | 314.9 | (1.0)% |
| Employees (FTE's) | 77 | 79 | (2.5)% |

### Commentary

- Assets managed unit growth of 4.9% vs pcp
- The Australian / New Zealand leasing market remains price competitive
- New business wins in the first half and increasing pipeline of opportunities
  – Targeting high quality credit customers

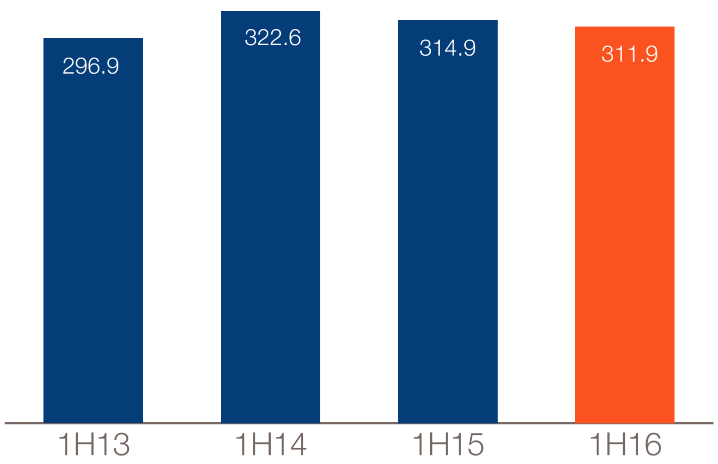
### Outlook

- Initiating principal and agency agreements with a number of funding providers to convert a portion of the loan book to a "capital light" business model

1. Excludes unallocated items
2. Assets managed comprises operating and finance leases and fleet managed vehicles

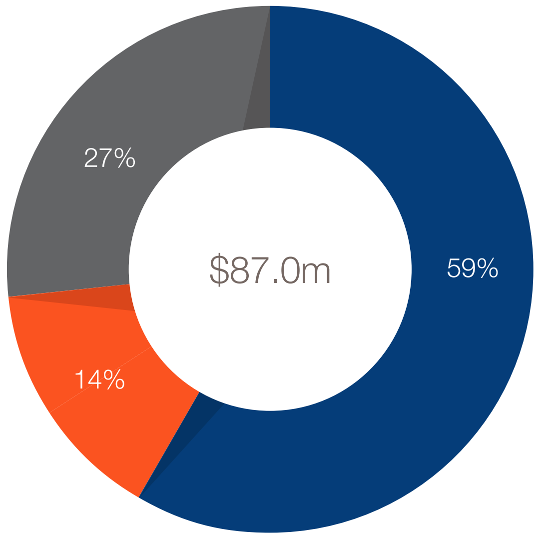
# Asset Management – Australia / New Zealand
## Operating Metrics

### Fixed assets written down value ($m)




- Growth flat in half and impacted by above average customer lease extensions
- No asset impairments in 1H16

### 1H16 Revenue breakdown




- Principal and interest
- In life services
- Proceeds from sales of leased assets

# Asset Management – United Kingdom
## Financial Performance

| $m | 1H16 | 1H15 | Variance |
|---|---|---|---|
| **Revenue** | **10.4** | **7.5** | **39.4%** |
| Lease and vehicle management expenses | 1.5 | 2.6 | (42.3)% |
| Employee and other expenses | 7.1 | 3.7 | 91.9% |
| **EBITDA** | **1.8** | **1.2** | **50.0%** |
| *EBITDA margin* | *17.3%* | *16.2%* | |
| **Segment NPAT[1]** | **0.4** | **0.1** | **>100.0%** |
| *NPAT margin* | *3.8%* | *1.3%* | |
| **Segment UNPATA[2]** | **0.6** | **0.2** | **>100.0%** |
| *UNPATA margin* | *5.8%* | *2.7%* | |
| **Key metrics** | | | |
| Assets managed (units) | 15,100 | 14,300 | 5.6% |
| Assets written down value ($m) | 125.9 | 38.6 | |
| Net amount financed ($m) | 114.1 | 31.6 | >100.0% |
| Employees (FTE's) | 132 | 91 | 45.1% |

### Commentary

- New business wins continue across the UK portfolio
- Portion of UK fleet ($27.4m) was moved off balance sheet as part of P&A funding arrangement
- Acquired Anglo Scottish (asset finance broker) in November 2015 increasing the UK footprint as well as increasing the UK funding panel to 40

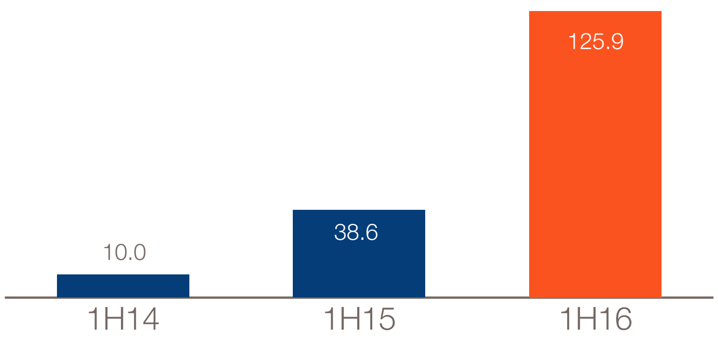
### Outlook

- Expansion of the asset finance broking platform
- Continue organic growth, as well as capturing cross selling synergies post the Anglo Scottish acquisition
- Continue development and roll-out of lifestyle lease

1. Excludes unallocated items
2. Excludes unallocated items, acquisition expenses and amortisation of acquisition intangibles

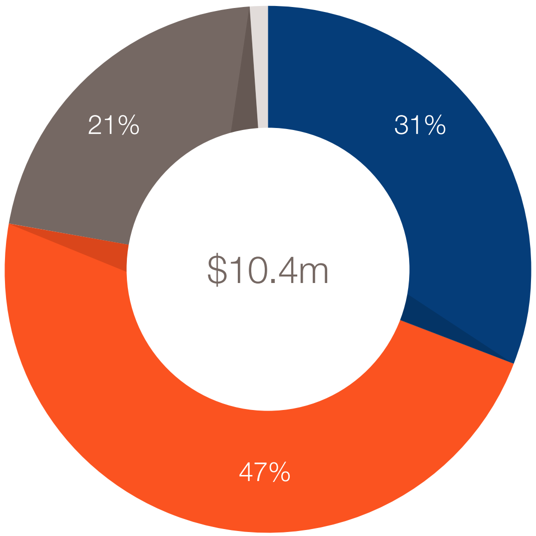
# Asset Management – United Kingdom
## Operating Metrics

### Fixed assets written down value ($m)




- An additional $27.4m was moved off balance sheet in 1H16 as part of P&A funding arrangement

### 1H16 Revenue breakdown




- Principal and interest
- Other vehicle related services
- Brokerage commission income
- Other (1%)

# Retail Financial Services
## Financial Performance

| $m | 1H16[3] | Proforma at acquisition[4] | Variance |
|---|---|---|---|
| **Revenue** | **54.6** | **50.6** | **7.9%** |
| Employee and other expenses | 43.4 | 41.2 | 5.3% |
| **EBITDA** | **11.2** | **9.4** | **19.1%** |
| *EBITDA margin* | *20.5%* | *18.6%* | |
| **Segment NPAT[1]** | **6.2** | | |
| *NPAT margin* | *11.4%* | | |
| **Segment UNPATA[2]** | **7.1** | | |
| *UNPATA margin* | *13.0%* | | |
| **Key metrics** | | | |
| Net amount financed ($m) | 450.7 | 379.2 | 18.9% |
| Gross written premium ($m) | 12.9 | | |
| Warranty policies written (units) | 39,400 | | |
| Employees (FTE's) | 202 | | |

## Commentary

- Continued focus on organic growth via distribution channel
- Integration within MMS is continuing
- New pricing arrangements effective July 2015 driving EBITDA margin improvement
  - Partial driver of EBITDA margin improvement from 18.6% to 20.5%
- Cross sell of warranty products into GRS effective October 2015

## Outlook

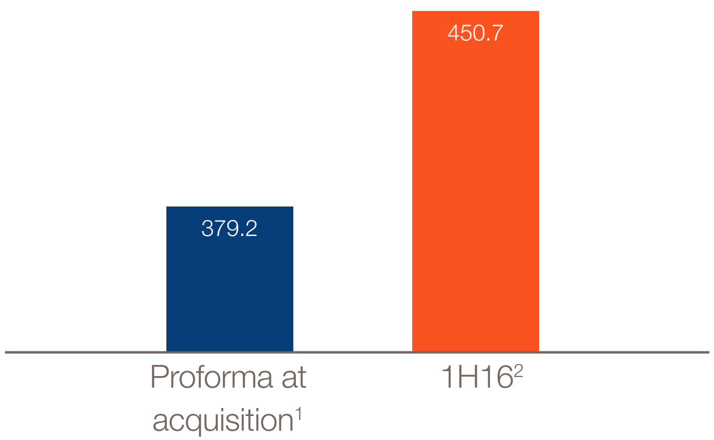
- Further cross sell of financing and warranty products across all of the business

1. Excludes unallocated items and acquisition expenses
2. Excludes unallocated items, acquisition expenses and amortisation of acquisition intangibles
3. 1H16 represents six months trading for Presidian and five months trading for UFS
4. Proforma represents the six months of the Presidian run rate at acquisition and five months of the UFS run rate at acquisition. One adjustment was made reducing revenue by $4.3m relating to a gross commission payments which are netted off for statutory reporting purposes. This adjustment has no EBITDA impact.

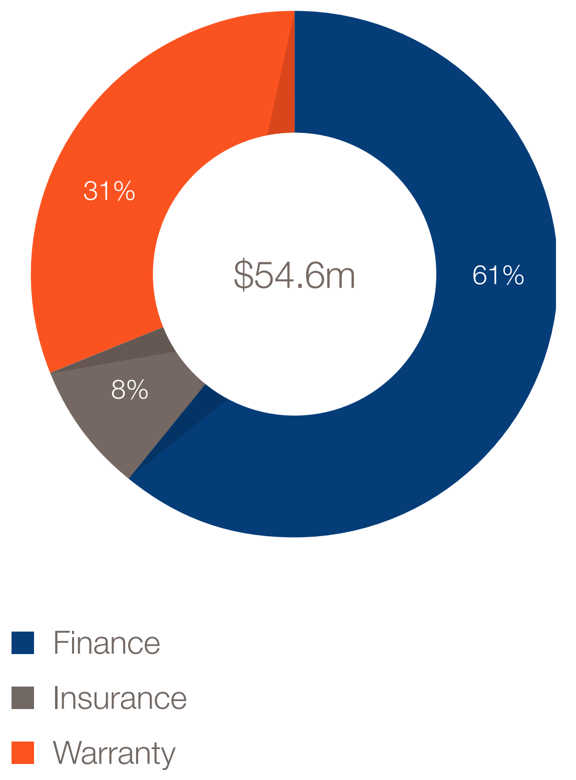
# Retail Financial Services

## Operating Metrics

### Net amount financed ($m)




### 1H16 Revenue breakdown




1. 1H15 represents the six months of the Presidian run rate at acquisition and five months of the UFS run rate at acquisition
2. 1H16 represents six months trading for Presidian and five months trading for UFS.

# Integration report card

## Integration Report Card

| PROCESS | % Complete |
|---|---|
| Renegotiation of finance terms | 100% |
| Warranty cross-sell into GRS / UFS | 50% |
| Consolidation of back office functions and property | 75% |
| Roll-out of consumer finance into GRS | 25% |
| RFS customer strategy | 10% |
| Integration of newly acquired IT development team | 90% |
| AM remarketing to RFS dealers | 10% |
| Development of Horizon 2 platform | 50% |

# Other financial metrics

# Balance Sheet

| $m | 31 Dec 15 | 30 Jun 15 |
|---|---|---|
| Cash at bank | 67.2 | 85.7 |
| Other current assets | 50.7 | 55.4 |
| Total funded fleet assets | 437.8 | 425.5 |
| Goodwill / intangibles | 261.3 | 194.7 |
| Other non-current assets | 10.7 | 16.0 |
| **Total Assets** | **827.7** | **777.3** |
| Borrowings (current) | 9.9 | 5.7 |
| Other current liabilities | 113.7 | 101.2 |
| Borrowings (non-current) | 332.6 | 346.0 |
| Other non-current liabilities | 13.2 | 5.9 |
| **Total Liabilities** | **469.4** | **458.9** |
| **Net Assets** | **358.3** | **318.4** |

Cash less corporate debt (excluding fleet funded debt)

**$11.6m**

Total funded fleet gearing

**66%**

Group gearing

**43%**

Interest times cover

**11.0x**

# Funding Overview

- Renegotiation with banks at an advanced stage which we expect will incorporate all the big four Australian banks in the club facility

| Borrowings at 31 December 2015 | | Facility (000) | Drawn (000) | Undrawn (000) | Duration |
|---|---|---|---|---|---|
| Asset Financing Australia | Revolving | AUD 270,000 | 174,200 | 95,800 | 31 March 2018 |
| Purchase of Presidian | Amortising | AUD 55,641 | 55,641 | - | 31 March 2020 |
| Asset Financing UK | Revolving | GBP 57,000 | 45,600 | 11,400 | 03 April 2018 |
| Purchase of CLM UK | Amortising | GBP 5,750 | 5,750 | - | 31 August 2018 |
| Asset Financing New Zealand | Revolving | NZD 20,000 | 9,700 | 10,300 | 03 April 2018 |

# Cashflow

| $m | 1H16 Group Remuneration Services | 1H16 Asset Management | 1H16 Retail Financial Services | 1H16 Unallocated / parent co. | 1H16 MMS Group Total | 1H15 MMS Group Total |
|---|---|---|---|---|---|---|
| **Segment NPAT** | 28.3 | 6.7 | 6.2 | (2.3) | 38.9 | 31.1 |
| Non-fleet depn/amort, reserves and other non-cash items | 3.3 | 4.4 | 2.0 | - | 9.7 | 6.6 |
| Capex (non fleet) and software upgrade | (1.7) | (1.2) | (0.6) | - | (3.5) | (4.5) |
| Tax payments in excess of tax expense | (1.3) | 0.7 | 0.3 | - | (0.3) | (1.3) |
| Other | 2.4 | 5.6 | 1.1 | - | 9.1 | 3.1 |
| **Free cashflow before fleet increase** | 31.0 | 16.2 | 9.0 | (2.3) | 53.9 | 35.0 |
| *Investing activities and fleet increase:* | | | | | | |
| Net growth in Asset Management portfolio | - | (37.3) | - | - | (37.3) | (20.6) |
| Sale of fleet portfolio | - | 27.4 | - | - | 27.4 | - |
| Investment in acquisitions | - | - | - | (35.7) | (35.7) | - |
| Other | - | - | - | (0.2) | (0.2) | (0.5) |
| **Free cashflow** | 31.0 | 6.3 | 9.0 | (38.2) | 8.1 | 13.9 |
| *Financing activities:* | | | | | | |
| Equity contribution (exercise of options) | - | - | - | 5.4 | 5.4 | 13.3 |
| Intercompany funding | (0.6) | 0.8 | (0.2) | - | - | - |
| Debt borrowings (repayments) | - | (8.0) | - | (1.5) | (9.5) | 22.6 |
| Dividends paid | - | - | - | (22.5) | (22.5) | (23.6) |
| **Net cash movement** | 30.4 | (0.9) | 8.8 | (56.8) | (18.5) | 26.2 |
| Opening cash (30 June) | | | | | 85.7 | 71.2 |
| **Closing cash (31 December)** | | | | | 67.2 | 97.4 |

# Risk

# Risk

- Interest rates (earnings on float)
- Second hand car prices (remarketing earnings)
- New and used car sales
- Government policy development
- Loss of major customers
- General economic conditions and consumer confidence
- Acquisition and integration risk

# Growth strategy and summary

# Near term opportunities

## Group Remuneration Services

Continue to drive new business and retain existing business including

– Establish recent new business wins (NSW Health contracts)

– Deliver on recent retained business (SA and Tasmanian government contracts)

Continue technology development to further drive margin improvement

Broaden the product suite via the introduction of Maxxia Plus

## Asset Management

Initiate principal and agency (P&A) funding arrangements with a number of select funding providers ("capital light" business model)

Complete the integration of Anglo Scottish with the Maxxia UK operations

Leverage Anglo Scottish platform to grow share of the UK asset finance market

Continued development and roll-out of lifestyle lease in the UK

## Retail Financial Services

Further synergy realisation from acquired businesses (Presidian and UFS)

– Warranty cross-sell into GRS / UFS

– Consolidation of back office functions and property

– Roll-out of consumer finance into GRS

– Data mining of RFS customer information

– AM remarketing to RFS dealers

# Medium term growth strategies

## Group Remuneration Services

Target organic growth via existing clients and new business

Growth via acquisition

– Only consider selective, disciplined and accretive acquisitions

## Asset Management

Leverage multiple funding options across Australia/NZ and the UK to provide a more diversified source of funding options

Growth via selective acquisitions in the UK

## Retail Financial Services

Organic growth in existing business

Capture all identified synergies from acquired businesses

Invest in brokers within existing network that have a strategic and/or financial driver

Broaden asset class beyond vehicles (via acquisition)

## Complementary adjacencies

Leverage existing core competencies to target acquisitions in complementary adjacencies

# Summary

- Solid 1H16 results with EBITDA up 39%, Underlying NPATA up 34%, Underlying EPS up 22% and free cash flow up 54%
- Clear strategies for further growth and profitability
  - GRS: Ongoing growth in packages from increasing penetration, NSW Health wins and novated lease originations. Technology driving productivity
  - AM: Improved profitability and ROA notwithstanding competitive market conditions, diversified funding model, disciplined portfolio approach focussing on cross sell opportunities UK growing momentum
  - RFS: Strong performance with platform for organic growth complemented by synergies and cost savings
- Disciplined focus on execution, risk and capital management. Selective and conservative approach to acquisitions to complement organic growth. Track record of integration and delivering benefits

# Disclaimer and important notice

This presentation has been prepared by McMillan Shakespeare Limited ABN 74 107 233 983 ("MMS"). It contains summary information about MMS and its subsidiaries and their activities current as at the date of this presentation. The presentation contains selected information and does not purport to be all inclusive or to contain information that may be relevant to a prospective investor. The information in this presentation should not be considered as advice or a recommendation to investors or potential investors and it does not take into account the investment objectives, financial situation and particular needs of any particular investor and each person is responsible for conducting its own examination of MMS and assessment of the merits and risks of investing in MMS' shares.

This presentation contains certain forward-looking statements. These statements are only predictions. Actual events or results may differ materially. Nothing in this presentation is a promise or representation as to the future. MMS does not make any representation or warranty as to the accuracy of such statements or assumptions.

The information in this presentation is for information purposes only and is not an offer of securities for subscription, purchase or sale in any jurisdiction. No representation or warranty, express or implied, is made as to the fairness, accuracy, reliability, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of MMS, its directors, employees, agents or advisers, nor any other person accepts any liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence on the part of MMS or its directors, employees, agents or advisers.

An investment in MMS is subject to known and unknown risks, some of which are beyond the control of MMS, including possible loss of income and principal invested. MMS does not guarantee any particular rate of return or the performance of MMS, nor does it guarantee the repayment of capital from MMS or any particular tax treatment. Each person should have regard to MMS' other periodic and continuous disclosure documents when making their investment decision and should consult such advisers as they consider necessary before making an investment decision. Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

**Financial data**

All dollar values are in Australian dollars ($) unless stated otherwise.

**Effect of rounding**

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

MMS

McMillanShakespeareGroup