# MMS Group
# Macquarie Australia Conference

04 May 2016

McMillanShakespeareGroup

# Integrated Business Model

## Across Complementary Sectors

| | Group Remuneration Services | Asset Management | Retail Financial Services |
|---|---|---|---|
| Brands | Maxxia, RemServ | CLM, Maxxia, AngloScottish, Holden Leasing, 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 |

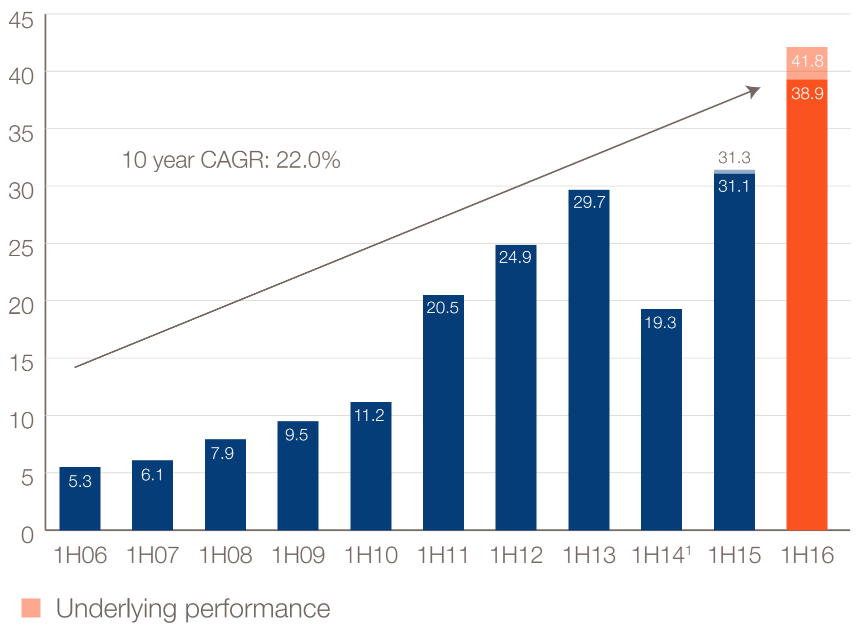
1. Includes Anglo Scottish ownership for two months
2. Includes Presidian ownership for six months and UFS ownership for five months

# Integrated Business Model
## Revenue Streams

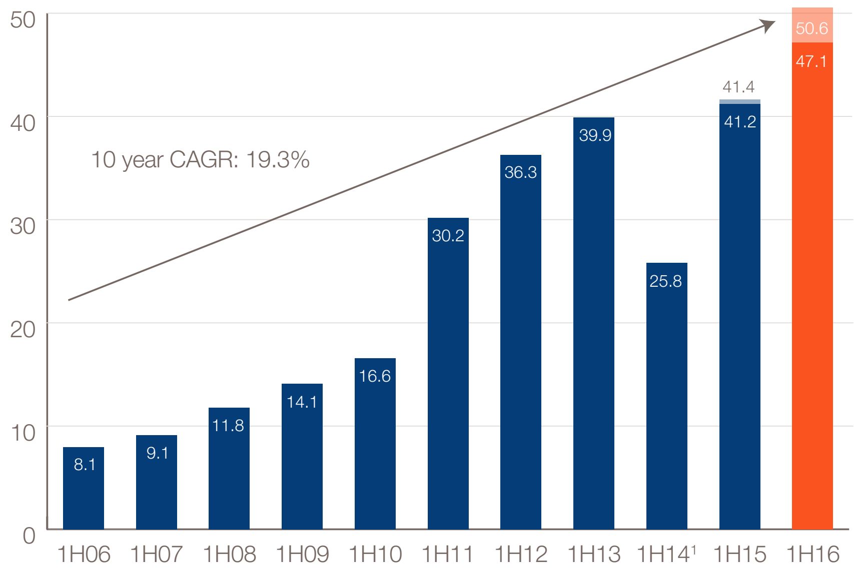
| Revenue streams | Recognition | Group Remuneration Services | | Asset Management | | | | Retail Financial Services | |
|---|---|---|---|---|---|---|---|---|---|
| | | Maxxia | RemServ | Interleasing | CLM | Maxxia | AngloScottish | Presidian | UNITED FINANCIAL SERVICES |
| Management Fees | Annuity | ✓ | ✓ | ✓ | ✓ | | | | |
| Finance commissions | Upfront | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ |
| Funding | Annuity | | | | | ✓ | | | |
| Insurance | Upfront | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| Warranty | Upfront | ✓ | ✓ | | | | | | ✓ |
| Warranty manufacture | Earned | | | | | | | ✓ | |
| In Life services | Duration | ✓ | ✓ | ✓ | ✓ | | | | |
| Remarketing | End of lease | | | ✓ | ✓ | | | | |

# MMS maintains growth trajectory

## NPAT performance ($m)




## EPS performance[2] (cents)




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

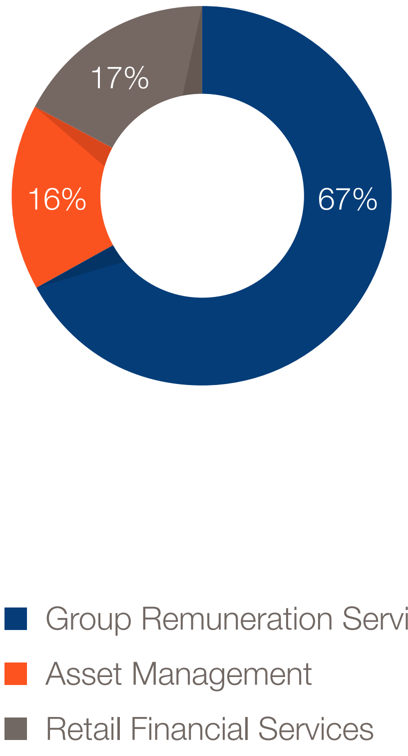
# First Half 2016 Highlights

- 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
- 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
- RFS segment contributes $11.2m EBITDA
- Continued disciplined approach taken to acquiring businesses that are complementary to our core competencies

# 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

# 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

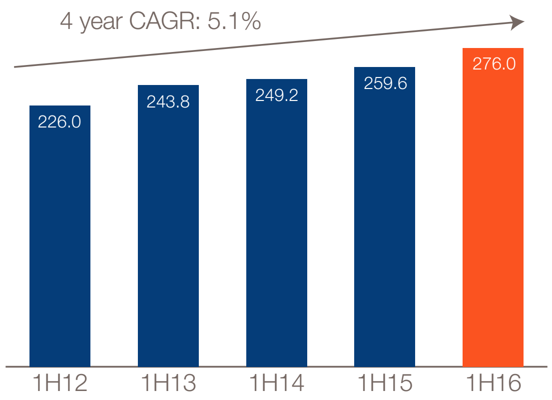
- Benefit from a number of recent wins and the retention of contracts
- Continue technology development to drive further margin improvement
- Broadening the product suite through the launch of Maxxia Plus

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

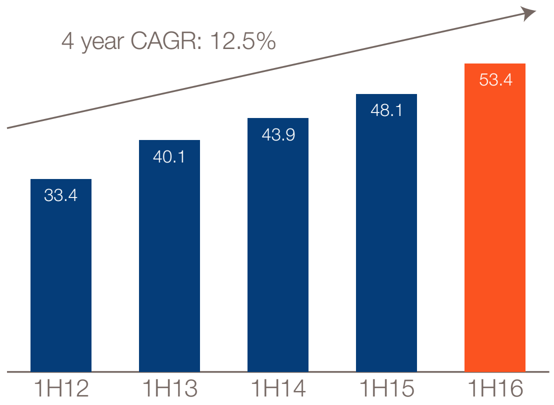
# Group Remuneration Services

## Operating Metrics

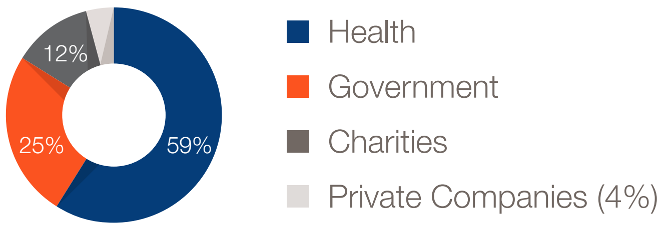
### Salary packages (000)[1]




### Novated vehicles (000)[2]




### 1H16 Sector breakdown (salary packages)



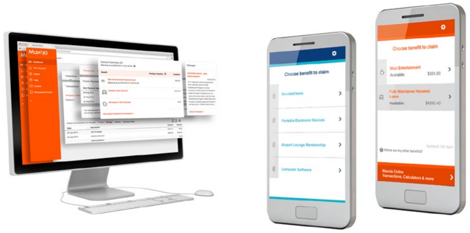

### Commentary

- 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

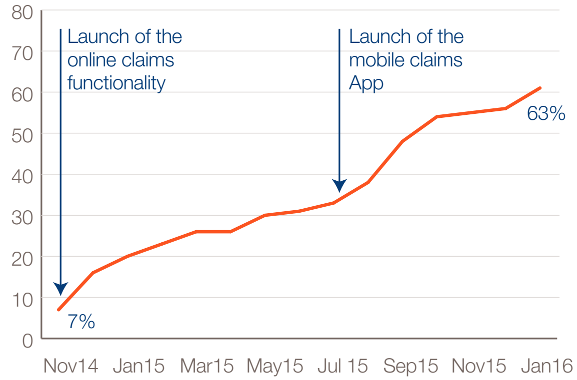
1. Total number of salary packages at period end
2. Novated leases under management at period end

# Technology driving improved cost to serve

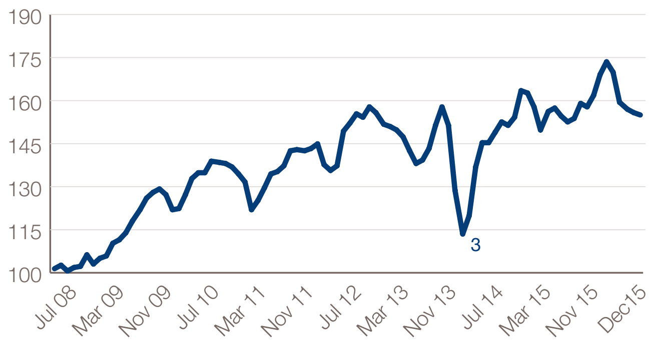
- Successful launch of the mobile claims App in August 2015 driving improved customer satisfaction and improved cost to serve
  - In excess of 35,000 App downloads since launch



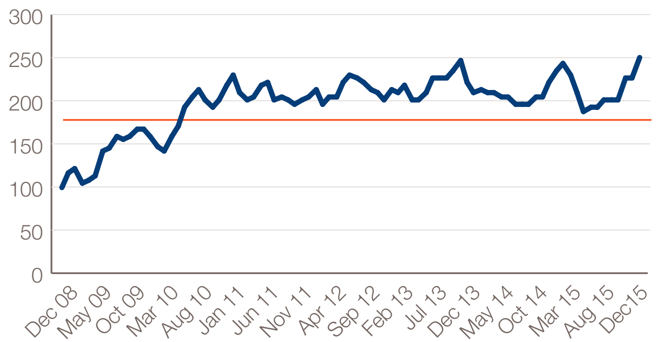
## On-line claims take-up rate (%)




## 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

# Group Remuneration Services
## Significant Contract Wins and Extensions since 30 June 2015

| Organisation | Status | Contract | Contract Duration | Number of Employees |
|---|---|---|---|---|
| **Contract wins and extensions** | | | | |
| Tasmania Health | Exclusive | Extension | 2021 | 10,600 |
| Mid North Coast Local Health Disrict<br>South Western Sydney Local Health Disrict | Exclusive<br>(Salary Packaging)<br>Panel<br>(Novated Leasing) | New business | 2021 | 13,000 |
| SA Government | Exclusive | Extension | 2023 | 104,000 |
| Queensland Government<br>(Salary Packaging) | Panel | Extension | 2019<br>(potential further two year extension to 2021) | 205,000 |
| **Contracts under tender** | | | | |
| Queensland Government<br>(Novated Leasing) | Panel | Under tender | Evaluation process:<br>April to June 2016<br>Appointment effective:<br>August 2016 | 205,000 |

# 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

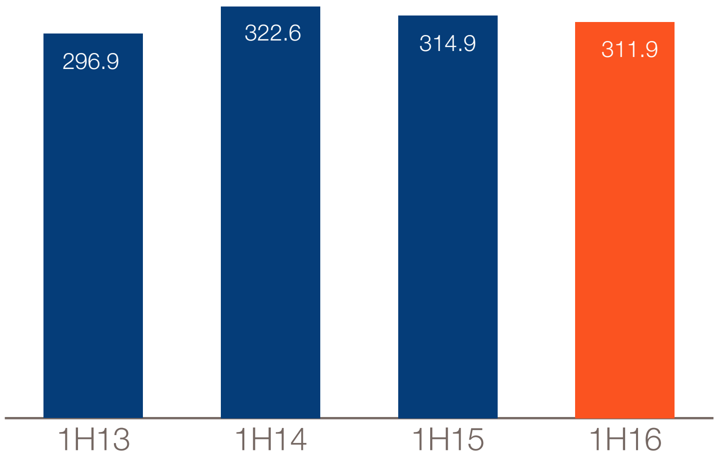
## Outlook

- 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

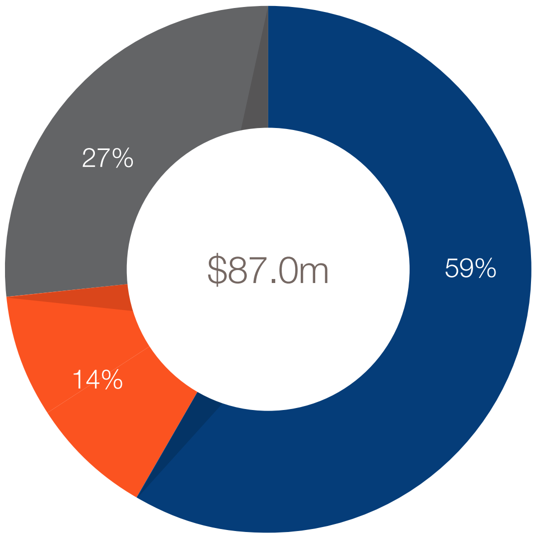
# Asset Management – Australia / New Zealand
## Operating Metrics

### 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% |

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

## Commentary

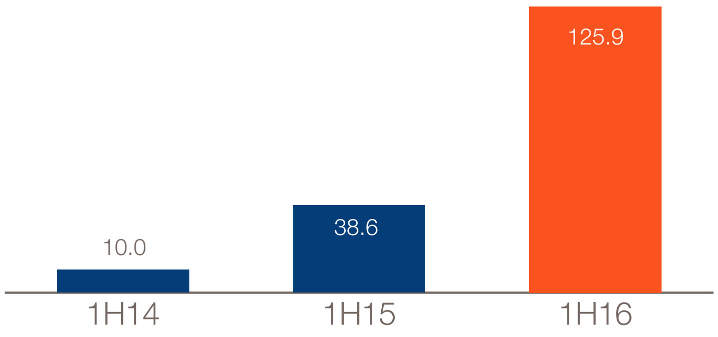
- New business wins continue across the UK portfolio
- Portion of UK fleet ($27.4m) was moved off balance sheet as part of P&A funding arrangement
- Acquired Anglo Scottish (asset finance broker) in November 2015 increasing the UK footprint as well as increasing the UK funding panel to 40

## 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

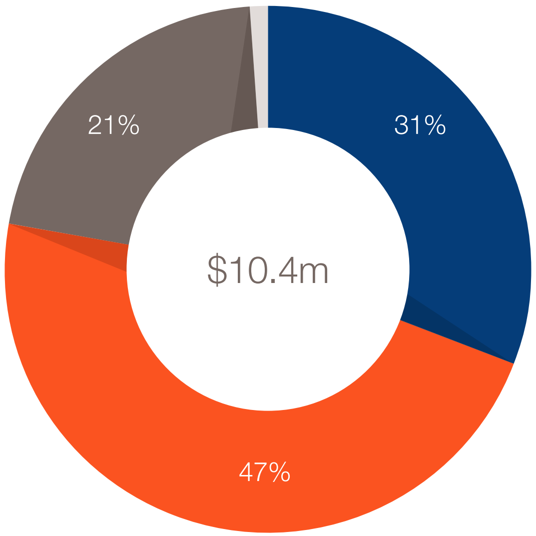
# Asset Management – United Kingdom
## Operating Metrics

### 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

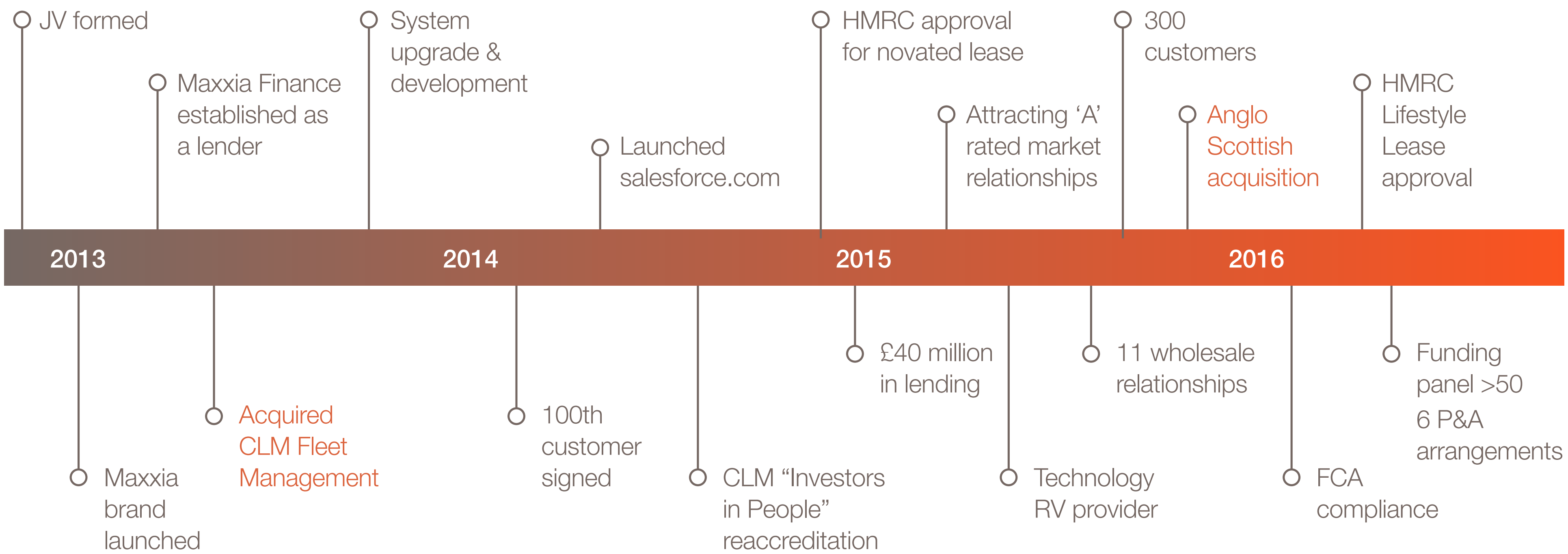



- Principal and interest
- Other vehicle related services
- Brokerage commission income
- Other (1%)

# Asset Management – United Kingdom

## UK Journey to Date

- Building the UK business both organically and via acquisitions




Orange text indicates acquisitions

# Asset Management – United Kingdom
## Recent UK Acquisition

- Acquired November 2015

AngloScottish
ASSET FINANCE LIMITED

Strong origination capabilities + A platform for broker aggregation = Strong distribution channel to grow origination origination through an enhanced suite of integrated financial products and services

# 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

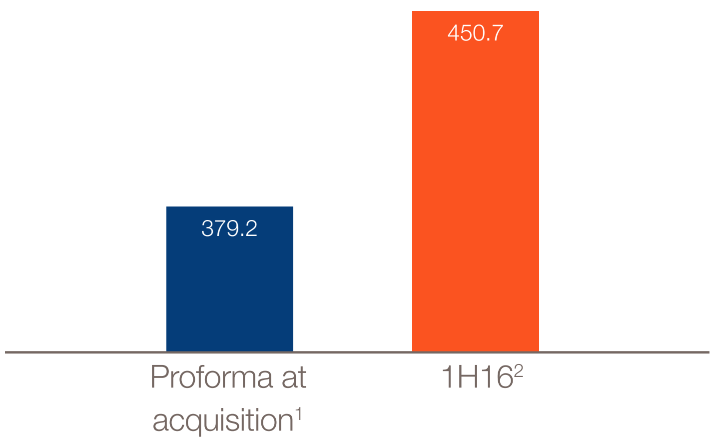
## Outlook

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

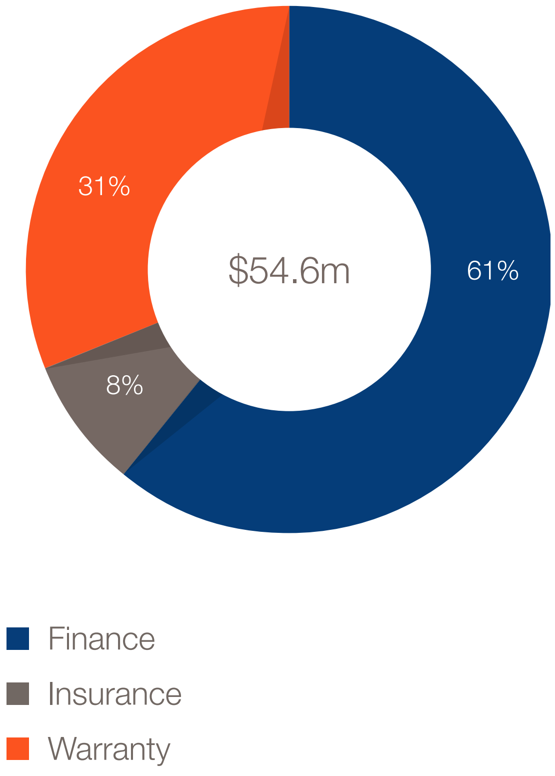
1. Excludes unallocated items and acquisition expenses
2. Excludes unallocated items, acquisition expenses and amortisation of acquisition intangibles
3. 1H16 represents six months trading for Presidian and five months trading for UFS
4. Proforma represents the six months of the Presidian run rate at 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 | 60% |
| Consolidation of back office functions and property | 80% |
| Roll-out of consumer finance into GRS | 30% |
| RFS customer strategy | 20% |
| Integration of newly acquired IT development team | 90% |
| AM remarketing to RFS dealers | 20% |
| Development of Horizon 2 platform | 60% |

# 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 and novated lease originations, further productivity improvements through continued investment in technology, coupled with a reengineering of our activity system
  - AM: Diversify funding model to improve ROE and grow our fleet, maintain disciplined portfolio approach, continue building momentum in the UK market
  - RFS: Continue to realise acquisition synergies via cross sell opportunities and data mining coupled with technology roll out of proprietary IT software
- Disciplined focus on execution, risk and capital management. Selective and conservative approach to acquisitions to complement organic growth

# Appendix

# 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

- 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

MMS

McMillanShakespeareGroup