



# MMS Group UK Update

March 2017

McMillanShakespeareGroup



# Asset Management – United Kingdom Financial performance



# Asset Management – United Kingdom

## Financial Performance

\$m	1H17	1H16	Variance
<b>Revenue</b>	<b>13.8</b>	<b>10.4</b>	<b>32.9%</b>
Lease and vehicle expenses	4.2	0.6	>100.0%
Employee expenses	3.9	3.4	15.7%
Property and other expenses <sup>1</sup>	3.5	5.2	(32.6%)
<b>EBITDA</b>	<b>2.2</b>	<b>1.2</b>	<b>89.4%</b>
<i>EBITDA margin</i>	<i>16.1%</i>	<i>11.3%</i>	
Depreciation	0.3	0.2	20.5%
Amortisation of intangibles	0.4	0.3	30.0%
Tax	0.4	0.3	36.1%
<b>NPAT</b>	<b>1.2</b>	<b>0.4</b>	<b>&gt;100.0%</b>
<i>NPAT margin</i>	<i>8.5%</i>	<i>3.5%</i>	
<b>UNPATA</b>	<b>1.5</b>	<b>0.6</b>	<b>&gt;100.0%</b>
<i>UNPATA margin</i>	<i>10.9%</i>	<i>5.9%</i>	
<b>Key metrics</b>			
Assets managed (units)	16,400	15,100	8.6%
Assets written down value (\$m) <sup>2</sup>	137.7	125.9	9.4%
Net amount financed (\$m)	197.1	114.1	72.8%
– On balance sheet (\$m) <sup>3</sup>	42.0	60.2	(30.2%)
– Off balance sheet (\$m)	155.1	53.9	>100.0%
Employees (FTE's)	185	132	39.8%

1 Property and other expenses includes the share of the UK JV loss of \$0.7m (1H16: \$0.6m)

2 On MMS balance sheet

3 Included in assets written down value

## Commentary

- Broker aggregation strategy progressing and enhanced through acquisitions of EVC (t/a Eurodrive Motor Finance) and Capex in December and January respectively
- Sterling revaluation impacted first half UNPATA by \$400,000. On a like for like currency basis, UNPATA increase was 217% over the prior half
- Review of car salary sacrifice by HMRC announced 10 August 2016 impacted the delivery of vehicles to Lifestyle Lease customer programs. HMRC clarified rules on 23 November 2016 (effective from 6 April 2017) and sales and marketing activity recommenced

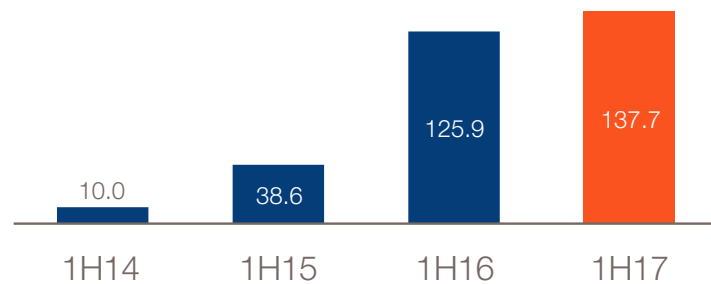
## Outlook

- Eurodrive and Capex acquisitions enhance the regional presence and product offerings of group. Further growth into other key UK regions via a stronger broker presence
- Deliver first Lifestyle Lease vehicles to customers post 6 April 2017

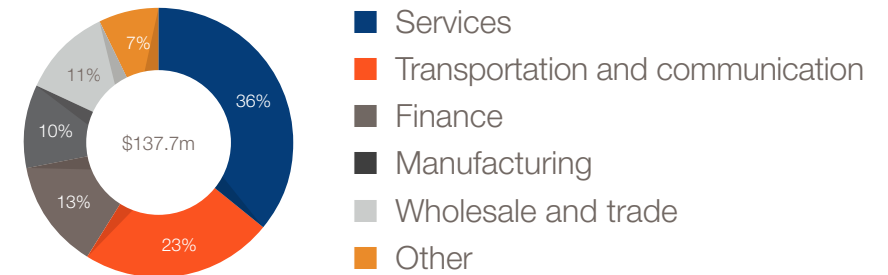
# Asset Management – United Kingdom

## Operating Metrics

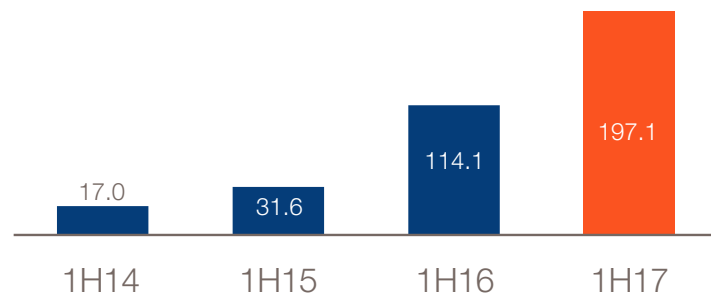
Assets written down value (\$m)<sup>1</sup>



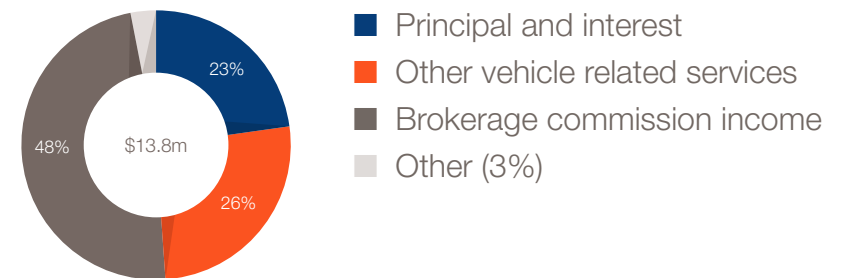
1H17 WDV breakdown



Net amount financed (\$m)



1H17 Revenue breakdown



<sup>1</sup> An additional \$27.4m was moved off balance sheet in FY16



# UK economic and industry update



# Recent UK Forecasts

## Oxford Economics v HM Treasury consensus

Economic indicators	Oxford Economics (updated 24 February 2017)		HM Treasury consensus of independent forecasts	
	2017	2018	2017	2018
GDP	1.8%	1.3%	1.6%	1.4%
Private consumption	1.6%	0.5%	1.7%	1.0%
Business investment	0.4%	1.6%	n.a.	n.a.
Fixed investment	1.0%	2.4%	0.0%	0.9%
Net trade (contribution to GDP growth)	0.3 pp	0.5 pp	0.2 pp	0.5 pp
CPI inflation rate	2.5%	2.1%	3.0%	2.6%
Bank Rate – Q4	0.3%	0.3%	0.3%	0.5%
Average earnings growth	2.9%	3.0%	2.8%	3.0%
Unemployment rate – Q4	5.1%	5.1%	5.2%	5.3%

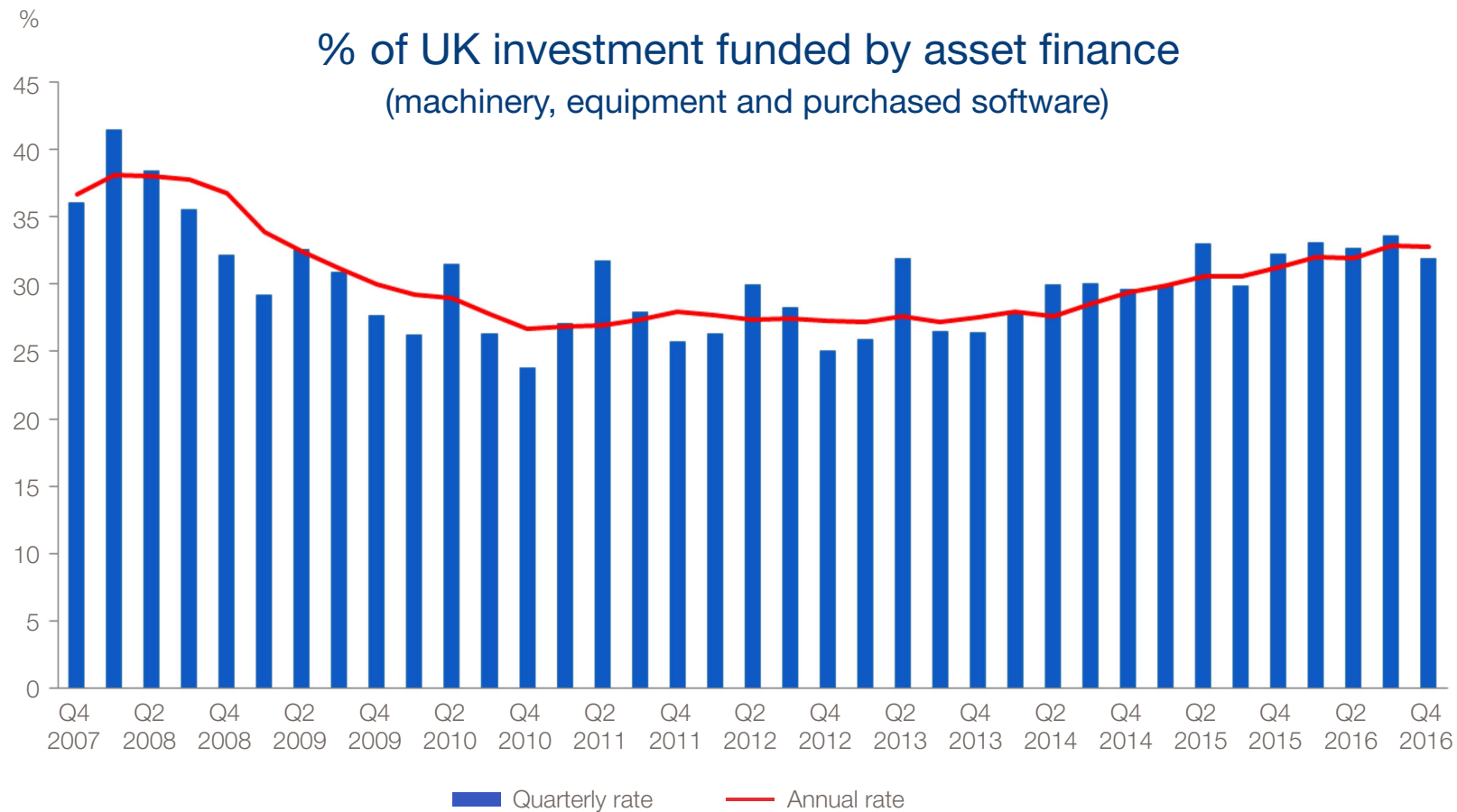
# Asset finance market starts 2017 with double-digit growth

## Broker channel is particularly strong

New Business	Jan 17 £m	% change year-on-year	12 months to Jan 17 £m	% change year-on-year
Direct Finance	1,096	2%	14,893	5%
<b>Broker Finance</b>	<b>427</b>	<b>27%</b>	<b>5,232</b>	<b>13%</b>
Sales Finance	602	15%	9,033	3%
Total	2,125	10%	29,158	5%

Source: Finance &amp; Leasing Association

# Asset finance market share consistently over 30% for the past 10 quarters



Source: Finance & Leasing Association



# POS consumer used car finance market reports robust growth in 2016

FLA used car finance: New business	Dec 16	% change	12 m to Dec 16	% change
<b>Value (£m)</b>				
Business	84	18%	924	23%
Consumer	884	7%	13,558	12%
Total	967	8%	14,482	12%
<b>Volume (No)</b>				
Business	5,483	32%	46,845	20%
Consumer	77,436	2%	1,253,706	9%
Total	82,919	4%	1,300,551	10%

- Eurodrive markets directly in this space
- 12% year on year growth
- Substantial opportunity

# Personal Contract Purchase and Personal Contract Hire continue to grow

## FLA new car finance

New business value (£m)	Dec 16	% change	12 m to Dec 16	% change
<b>Consumer</b>				
Leasing	128	26%	1,523	42%
PCP	935	1%	14,874	13%
Hire Purchase	101	-20%	1,601	-15%
Personal loans	4	-24%	86	-10%
<b>Total</b>	<b>1,167</b>	<b>1%</b>	<b>18,085</b>	<b>12%</b>
<b>Business</b>				
Leasing full payout	28	52%	339	4%
Leasing residual risk	297	1%	3,912	8%
Lease/Hire Purchase	254	-17%	3,980	3%
Other finance	5	-64%	111	-68%
<b>Total</b>	<b>585</b>	<b>-8%</b>	<b>8,342</b>	<b>2%</b>

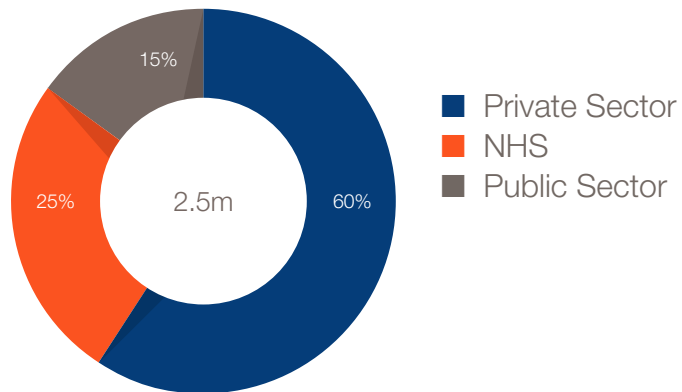
## FLA used car finance

New business value (£m)	Dec 16	% change	12 m to Dec 16	% change
<b>Consumer</b>				
Leasing	2	238%	17	141%
PCP	437	15%	6,230	26%
Hire Purchase	414	0%	6,795	3%
Personal loans	30	-1%	516	-7%
<b>Total</b>	<b>884</b>	<b>7%</b>	<b>13,558</b>	<b>12%</b>
<b>Business</b>				
Leasing full payout	2	188%	11	54%
Leasing residual risk	10	233%	65	97%
Lease/Hire Purchase	68	7%	789	19%
Other finance	4	2%	59	21%
<b>Total</b>	<b>84</b>	<b>18%</b>	<b>924</b>	<b>23%</b>

Source: Finance &amp; Leasing Association

# Company car tax rules are changing in the UK

## Estimated Eligible Employees (million)



**92%**

of employees view employer provided cars as **a positive benefit**

### Drivers want the perfect car scheme



**Vehicle choice**



**Tax efficiency**



**Flexibility**  
(term, mileage and vehicle)



**Certainty of cost**

### Example quotation for a 20% tax payer (pre and post consultation)

#### Toyota Prius Hatch 5dr Excel

(Cost: £19,067, Profile: deposit of £5,767 followed by £380 x 35)

	Pre-consultation	Post-consultation
GSR	£466.82	£466.82
PAYE	(£93.36)	(£93.36)
NI	(£56.02)	(£56.02)
BiK	£84.45	£93.36
Net	£401.49	£410.80
Total	£14,468.04	£14,788.80

# HMRC consultation completed November 2016 with new rules to apply from April 2017

- Car salary sacrifice schemes remain an extremely valuable benefit to employees
- Contrary to some published options, there are many cars where cost savings can still be substantial
- Tax saving was never a huge part of the benefit, rather the value derived from the employer negotiated scheme discounts

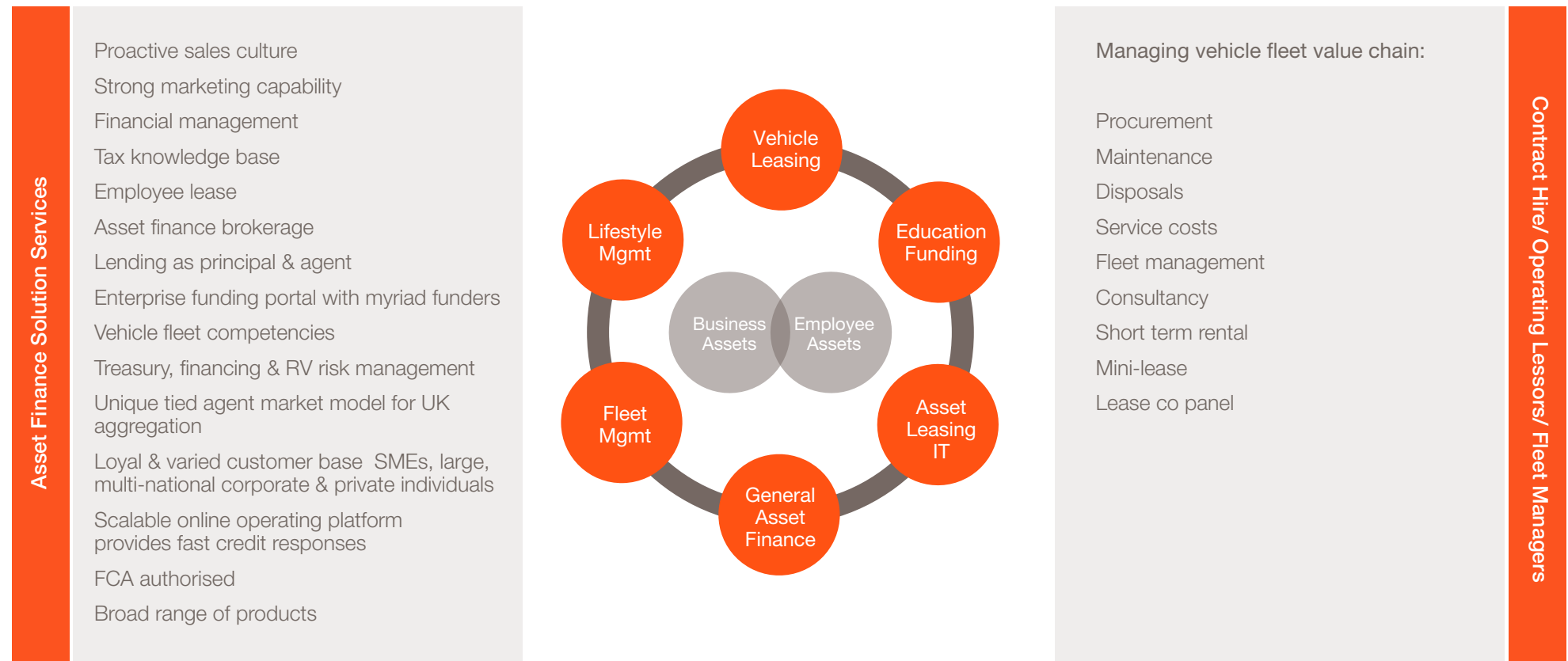


# Maxxia UK update

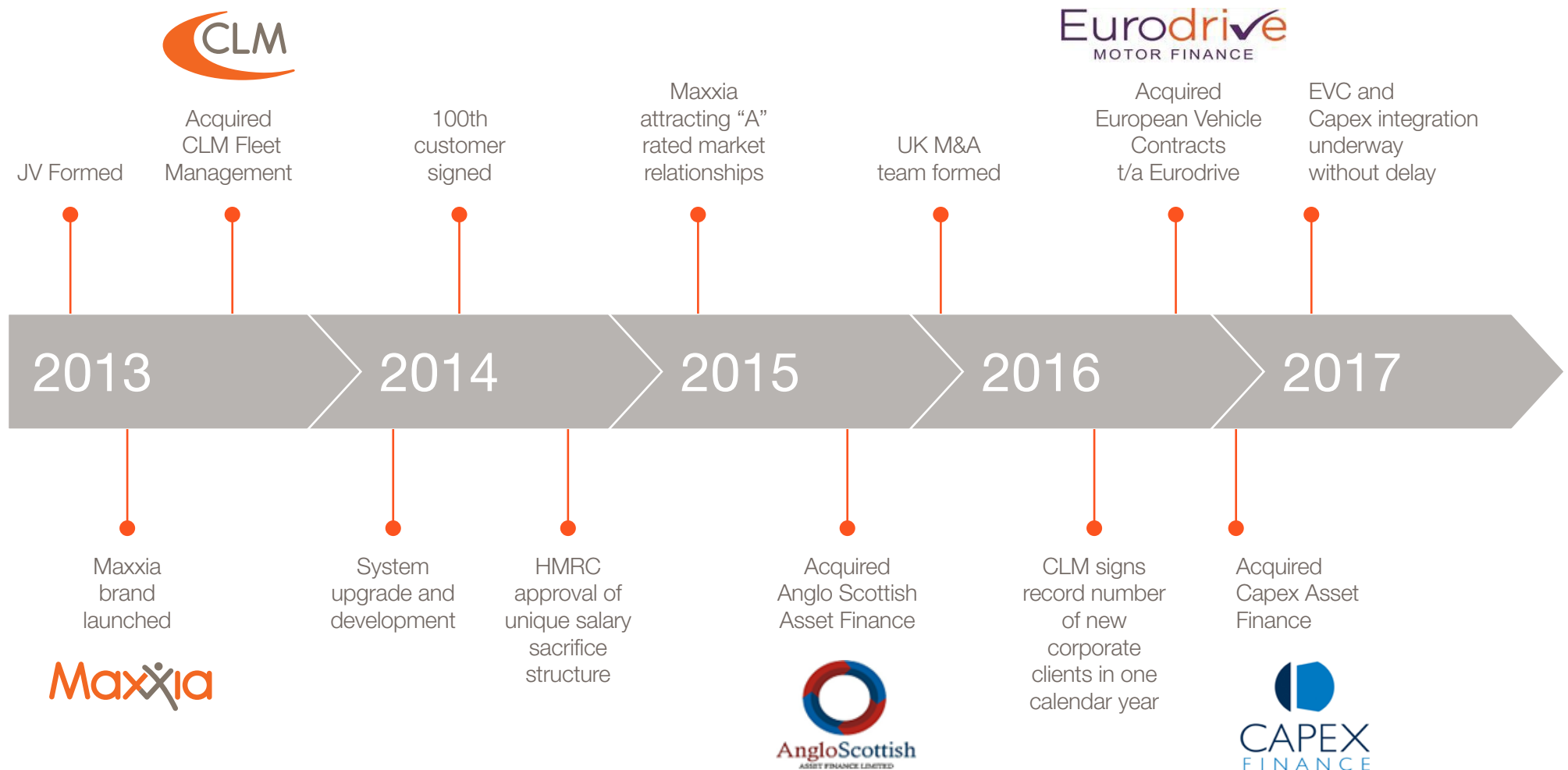


# Integrated asset finance and asset management model

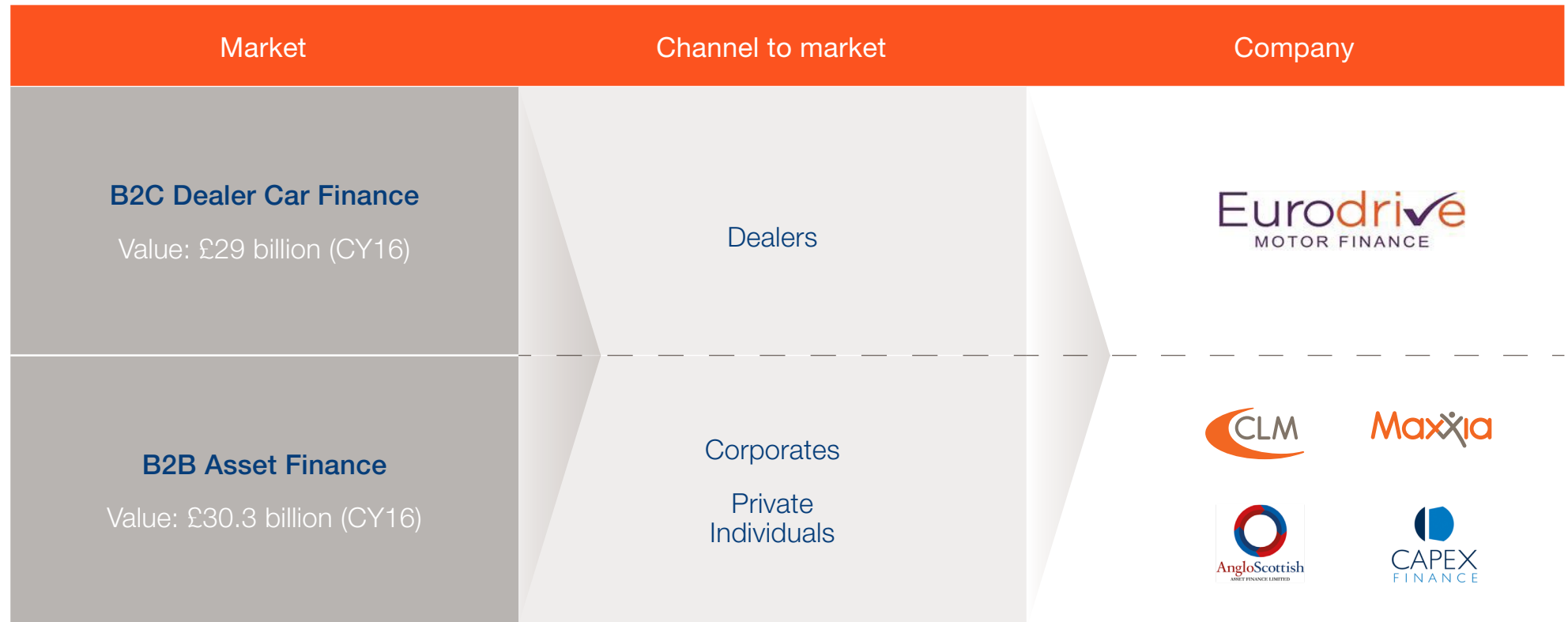
- Maxxia UK has built an integrated range of asset finance and asset management products and services for both business and employee assets



# What we have achieved to date



# B2B Asset Finance Brokers + B2C Dealer Car Finance = complementary channels to market





# Strategic objectives

- The leading provider of a fully integrated financial services offering
- The leading provider of a portable employee lease
- The aggregator of choice to the finance intermediary / broker community
- Maxxia to become a strongly recognised financial services brand in the UK
- Build a sustainable, high quality business that can generate profitable revenue growth and attractive returns on invested capital

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