

McMillanShakespeareGroup

MMS announces FY19 Results and \$80 million off-market share buyback

McMillan Shakespeare Limited (**MMS**) today announces its financial results for the 12 months ended 30 June 2019.

FY19 Key performance highlights

- UNPATA \$88.7 million (down 5.1% on FY18)
- Operational performance and organic growth in core Group Remuneration Services (GRS) business underpinned by novated lease sales which outstripped Australian new cars sales market performance
- Continued investment in technology resulting in an improved customer experience, increased sales conversions and enhanced productivity
- Plan Partners business delivered maiden full year profit contribution and built sound platform for growth in FY20 and beyond
- Fully franked dividend of 74c per share – up 1.4%
- Capital management strategy in place, including \$80.0 million off-market buy-back

MMS posted an underlying net profit after tax and acquisition amortisation (UNPATA) of \$88.7 million for the full financial year ended 30 June 2019, with Group revenue of \$549.7 million up 0.8% on the previous period.

This result was underpinned by strong operational performance in the Group's core GRS business, with a 2.5% increase in salary packages and 7.4% increase in novated leasing units. The Novated lease sales growth saw the business outperform the broader retail new car sales market in Australia by 14% across the period.

Investment in the Group's Beyond 2020 program remained on track, comprising of \$3.1 million in operating expenses and \$6.0 million in capital expenditure for FY19, assisting to drive improved productivity and novated lease conversion rates during the year, with the full program impact to be realised in future years.

Plan Partners recorded its first profitable period, focusing on providing intermediary services, via expertise in the disability sector, and funds and payment administration to National Disability Insurance Scheme (NDIS) participants. With its national expansion completed and possessing clear scope for sustained growth, the business will focus on building scale in FY20 and beyond.

Within the Group's Asset Management (AM) business, the Australian and New Zealand market remained competitive with customers continuing their preference to extend leases, resulting in lower end of lease revenue and UNPATA. Asset written down value remained stable at \$380 million, with a continued shift towards off balance sheet funding.

The United Kingdom (UK) AM business operated in the context of challenging economic and market conditions, negatively impacting margins. The net amount of assets financed grew by 11.3% across the year to nearly \$1.0 billion, albeit price pressure continued to impact revenue growth. The Group is currently undertaking a strategic review of the UK businesses.

Within MMS' Retail Financial Services segment, the Aggregation business performed well despite a softer motor vehicle market, with the Net Amount Financed increasing by 5.1% and UNPATA up by 16.4% compared

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to the prior year. The Group's Risk business launched redesigned risk products during FY19 including a dealer warranty product, resulting in higher costs.

The Board determined during the period to embark on a capital management strategy, underpinned by a strong balance sheet to self-fund growth investments and its intention to conduct an off-market ordinary share buy-back as advised further in this announcement.

FY19 Results Presentation

The Company will webcast its FY19 Results Presentation on **Wednesday 21 August 2019 at 9.00am**. Mr Mike Salisbury (CEO) and Mr Mark Blackburn (CFO) will present the FY19 Results.

The link to hear the live presentation will be placed on the MMS website www.mmsg.com.au. Alternatively, investors may go direct <http://www.openbriefing.com/OB/3287.aspx>.

Final dividend

MMS has declared a fully franked final dividend of 40 cents per share, which is consistent with the FY18 final dividend. This dividend will be payable on 11 September 2019, with a record date of 29 August 2019. This brings the total dividends for FY19 to 74 cents per share, which represents a 1.4% increase from the prior year.

Off-market buy-back

MMS today confirms its intention to return around \$80.0 million to shareholders through an off-market ordinary share buy-back (**Buy-Back**).

The Buy-Back will be funded from existing cash reserves. MMS will maintain a strong balance sheet following the Buy-Back.

The Buy-Back will be conducted by way of an off-market tender process which will open on Wednesday, 11 September 2019 and close at 7.00pm (Melbourne time) on Friday, 11 October 2019.

Participation in the Buy-Back is optional. Shareholders who choose not to participate and retain their MMS shares are expected to benefit from an improvement in earnings per share and return on equity because the number of shares on issue will be reduced as a result of the Buy-Back.

MMS may, at its absolute discretion, vary the size of the off-market Buy-Back, including not buying back any shares at all depending on several factors, including shareholder demand, market conditions and forecast future capital requirements.

Details about the Buy-Back will be contained in the Buy-Back booklet, including regarding shareholders' eligibility and the tender process. The booklet is expected to be released on 28 August 2019 and will be sent to shareholders shortly after that date. The Record Date will be Thursday, 29 August 2019.

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Details of the Buy-Back

The Buy-Back will involve a tender process under which eligible shareholders on the register on Thursday, 29 August 2019 (**Buy-Back Record Date**) will be invited to tender some or all of their MMS shares:

- at discounts of between 10% and 14% inclusive (at 1% intervals) to the VWAP Market Price;¹ and/or
- as a Final Price Tender (being an offer to sell the Shares to MMS at the final Buy-Back Price within the 10% to 14% discount range as determined by MMS).²

Any Tender made by shareholders can also be conditional upon the Buy-Back Price exceeding a specified minimum price.

Successful Tenders may be scaled back if the number of Shares tendered at Tender Discounts greater than or equal to the Buy-Back Discount and as Final Price Tenders exceeds the total value of Shares that MMS determines to buy back. The scale back has been structured to minimise the impact on shareholders who have, or would otherwise be left with, a small holding. MMS will first buy back a Priority Allocation of 365 shares from each shareholder who has successfully tendered Shares.

Additionally, shareholders who tender all of their shares at one or more Tender Discounts equal to or greater than the Buy-Back Discount and/or as a Final Price Tender, and who would otherwise be left with a Small Residual shareholding of 145 Shares³ or less as a result of MMS' acquisition of the Priority Allocation and any Shares subject to the scale back, will have their Tender(s) accepted in full without any scale back. Only shareholders resident in Australia or New Zealand are eligible to participate.

Tax considerations

The Buy-Back is considered an off-market buy-back for the purposes of the Income Tax Assessment Act 1936 (Cth). MMS expects that for shareholders who successfully tendered their shares, the Buy-Back Price will consist of a capital component of \$1.78 and the balance of the Buy-Back Price will be treated as a fully-franked dividend.⁴ For Australian capital gains tax purposes, the deemed capital proceeds will consist of the \$1.78 capital component plus the amount by which the Tax Market Value⁵ exceeds the Buy-Back Price. It is expected that both the amount taken to be a dividend component and the basis for determination of the amount of the deemed capital proceeds will be confirmed by the ATO in its class ruling.

¹ VWAP Market Price means the volume weighted average price of MMS ordinary shares on ASX over the five trading days up to and including the Closing Date (expected to be Friday, 11 October 2019), excluding certain trades, calculated to four decimal places, as determined by MMS after 4.30pm (Melbourne time) on the Closing Date.

² The Final Tender Price will be determined by applying the tender discount to the VWAP Market Price. The resulting amount will be rounded to the nearest cent (and for the avoidance of doubt, rounded up in the case of a half a cent) or rounded up if rounding down would result in a discount of greater than 14% to the VWAP Market Price.

³ MMS retains the discretion to reduce the Priority Allocation and/or the Small Residual amount (for instance, if it would otherwise cause MMS to exceed the number of Shares that it desires to buy-back).

⁴ MMS anticipates this will be confirmed in the final ATO Class Ruling, which is expected to be issued after completion of the Buy-Back.

⁵ The Tax Market Value represents the market value of MMS ordinary shares for capital gains tax purposes as determined in accordance with the Commissioner of Taxation's views set out and expressed in TD2004/22 and PSLA 2007/9.

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Further information

Certain ineligible shareholders (including, but not limited to, Excluded Foreign Shareholders, being any person who resides outside of Australia and New Zealand and also includes any person who is, or who is acting for the account or benefit of a person who is, in the United States, a US Person, or a resident of Canada or any other jurisdiction outside of Australia and New Zealand) are not entitled to participate in the Buy-Back. More eligibility information will be provided in the Buy-Back booklet.

Unless otherwise specified, capitalised terms in this announcement have the same meaning as in the Buy-Back booklet.

An enquiry line will be available for MMS shareholders in relation to the Buy-Back. Shareholders with enquiries should refer to MMS' website at www.mmsbuyback.com.au or contact the MMS Buy-Back Information Line on 1300 850 505 from within Australia or on +61 3 9415 4000 from outside Australia.

For more information please contact:

Mark Blackburn

CFO and Company Secretary
McMillan Shakespeare Limited