

McMillanShakespeareGroup

ASX ANNOUNCEMENT

Update in relation to Off Market Share Buy Back

McMillan Shakespeare Limited (MMS) provides an update in relation to the basis of calculation of the Tax Market Value for the purposes of the Off-Market Buy-Back the details of which were announced on 21 August 2019.

Original disclosure

The Off-Market Buy Back Booklet dated 28 August 2019 (**Buy Back Booklet**) noted that MMS would not set the Buy-Back Price at a level above the Tax Market Value. The Tax Market Value is the price used by the ATO to determine the deemed market value of MMS Shares when the Buy-Back occurs. The Tax Market Value was expected to reflect the change in the S&P/ASX 200 index from the Buy-Back Announcement Date until the Closing Date. However, as the movement in the S&P/ASX 200 index has differed significantly from the movement in the MMS share price, the Company is in discussions with the ATO about the use of an alternative index to arrive at a Tax Market Value for any MMS Shares bought back.¹

Increase in the Company's share price

Since releasing the Company's results for FY19 on 21 August 2019 there has been a significant difference between the movement in the S&P/ASX 200 index and the movement in the MMS share price.

By way of illustration, as at 30 September 2019, the Tax Market Value of an MMS Share calculated using the formula set out in the Buy-Back Booklet is \$13.82. In comparison, the closing price for MMS Shares on the same day was \$16.34. If these were the values at the end of the Tender Period, the Company would not, on the basis of these illustrative numbers, be able to set the Buy-Back Price. This is because, as set out in the Buy-Back Booklet, the Buy-Back Price will be determined by reference to a discount to the Market Price that is no more than 14% of the Market Price. If the closing price of MMS Shares was \$16.34, the Buy-Back Price could not be set below \$14.06. This is higher than the Tax Market Value of an MMS Share calculated using the formula set out in the Buy-Back Booklet and the illustrative position as at 30 September 2019 of \$13.82.

Adjustment to the Tax Market Value

The movement in the MMS share price has raised questions as to whether the adjustments in the S&P/ASX index appropriately reflect the Tax Market Value. Whether it is appropriate to adjust the basis for determining the Tax Market Value will depend upon the performance of the market and the performance of MMS Shares in the period leading up to the Buy-Back Date.

¹ See sections 1.16 and 2.2 of the Buy-Back Booklet.

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MMS is currently seeking to agree a basis of determination of the Tax Market Value with the ATO which better reflects an appropriate Tax Market Value for the Buy back, which is not expected to exceed the Buy-Back Price. We expect an agreement with the ATO as to the final determination of a Tax Market Value will be reached close to the end of the offer period. MMS is not currently able to provide an indication as to the basis of the calculation of the relevant adjustment. However, subject to shareholder demand, MMS does currently expect that a Tax Market Value will be set above the Buy-Back Price. MMS will provide details of the adjustment once it has been agreed with the ATO.

Impact on Capital Proceeds

The Tax Market Value is also relevant in determining the adjustment to the Deemed Capital Proceeds. This is used to determine the relevant amount of any capital gain or capital loss which may accrue in the Buy-Back.

Details of the adjustment and the basis upon which the capital gain or capital loss is calculated are set out on pages 25 and 26 of the Buy-Back Booklet.

The final Tax Market Value and Buy-Back Price will be announced on Monday, 14 October 2019.

Defined terms in the Buy-Back Booklet have the same meaning in this announcement.

For more information please contact:

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