McMillan Shakespeare Limited
Annual General Meeting, 22 October 2019
Chairman's Address

This morning I would like to briefly comment on four topics.

FY2019 Performance

Our measure of underlying net profit after tax, or UNPATA, was $88.7 million for FY19, a decrease of 5.1% compared with the prior year. The Company declared and paid fully franked dividends in respect of FY19 of 74 cents per share up 1.4%.

Our GRS business defied the decline in the broader retail new car sales market and increased novated leasing units by 7.4% and salary packages by 2.5%. Significant work continued around our GRS Beyond 2020 initiatives and we started to see improved productivity and novated lease conversion rates. Our Asset Management business in Australia and New Zealand delivered to expectations in a competitive and sluggish market. In the UK volumes were solid and the business now has scale, but a highly competitive environment impacted margins. In RFS our Aggregation business increased net amount financed by 5.1% and UNPATA by 16.4% but it wasn't enough to offset a decline in profitability from the RFS Risk business which is incurring higher costs due to redesigned products. Plan Partners recorded its first profitable period and is well placed for growth as it supports the NDIS.

Although our results for FY19 were mixed and profit result lower than planned, our team has successfully navigated many challenges during the year and, as a result, our key business units are today more sustainable and better positioned for future growth.

Financial Services Royal Commission

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry concluded during FY19. The Royal Commission has already improved the financial services industry and will continue to as the recommendations are implemented.

Ensuring that our products and services remain market leading while also maintaining our responsibility to customers has been a priority for us for some time, well before the current climate of heightened regulatory scrutiny. We will continue to review our operations and our products and engage with regulators, where appropriate, to ensure the needs of our customers remain our priority.

Whilst the Royal Commission and its outworking's are overwhelming positive there are two matters that need watching. The first is the risk that some credit worthy consumers are unable to borrow or are under insured, or both, due to financiers and insurance providers reducing risk or changing or withdrawing products from the market. Secondly, as market participants inevitably become more conservative and adjust to a different regulatory environment, the level of activity and growth in the sector will be impacted.

Inorganic Growth

Acquisitions have been a key part of shareholder value creation since the inception of the Company. During FY19 we entered a Scheme Implementation Agreement to facilitate a merger with Eclipx Group Limited (ASX: ECX). We felt the merger of the two companies would have been highly complementary and offered a range of material synergies. Unfortunately, we were not able to complete the transaction and in April we agreed with Eclipx to terminate the scheme.

Our acquisitions record isn't faultless but over the history of the Company a significant net benefit has been delivered. We will continue to look for opportunities to inorganically invest capital where the risk adjusted return on capital is materially higher than our cost of capital.

Business Development

This Company was founded many years ago based on a good idea and since that time, many other ideas have been developed into key parts of our business. The latest business to be incubated inside the Company is Plan Partners and we are delighted with the progress it has made and the role it is playing in improving the lives of NDIS participants.

We are keen to continue our history of developing new businesses within our Company and the Board and senior leadership team will continue to explore opportunities in FY20.

Closing

Looking ahead to FY20, we continue to be focussed on increasing earnings per share, improving the return on the capital employed in the business and increasing fully franked dividends paid to shareholders.

I would like to acknowledge and thank Mike Salisbury, his executive leadership team and all our employees globally for their hard work during the 2019 financial year. It is a privilege to work with our highly committed team that are dedicated to providing the very best service to our customers.

I would also like to thank my Board colleagues for the commitment and guidance they provide McMillan Shakespeare.

Finally, I would like to thank all our shareholders for your continued support and interest in our Company.