

McMillanShakespeareGroup

MMS announces 10% off-market share buy-back

McMillan Shakespeare Limited (**MMS**) today announced its intention to buy back up to 10% of its ordinary shares through an off-market buy-back (**Buy-Back**).

This represents up to 7,738,110 ordinary shares in MMS¹ worth up to \$86 million, based on an illustrative share price of \$12.95² and a discount of 14%,³ and subject to any scale back that is applied by MMS. It is expected that a significant component of the Buy-Back proceeds will be characterised as a fully franked dividend for tax purposes, and certain eligible shareholders may be able to utilise the benefit of available franking credits. As a result, the Buy-Back will facilitate MMS returning excess capital and excess franking credits to MMS shareholders that will deliver value to all MMS shareholders.

The Buy-Back will be funded from existing surplus cash reserves. MMS will maintain sufficient liquidity and balance sheet ratios following the Buy-Back.

The Buy-Back will be conducted by way of an off-market tender process which will open on Monday 19 September 2022 and close at 5.00pm (Melbourne time) on Friday 21 October 2022.

Participation in the Buy-Back is optional. Both participating and non-participating shareholders are expected to benefit from the Buy-Back as:

- for some shareholders, depending on their tax status, the after-tax return from participating in the Buy-Back may be greater than the sale of their Shares on-market; and
- the Buy-Back is expected to improve earnings per share and return on equity for shareholders who continue to hold Shares.

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

Further information

An information flyer will be dispatched to all eligible shareholders from Monday 29 August 2022 detailing how eligible shareholders can obtain a copy of the Buy-Back Booklet. This Buy-Back Booklet contains the Buy-Back terms and conditions (including eligibility and details of the tender process) and other important

¹ Assuming 10% of ordinary shares are bought back.

² Worth up to \$86,202,545, based on an illustrative share price of \$12.95 (being the volume-weighted average price of MMS shares traded on ASX over the five trading days up to and including Friday 26 August 2022) and a discount of 14%. The actual price at which shares will be bought will be the Buy-Back Price (described below), which will be calculated by reference to a volume-weighted average market price and subject to a discount. This remains subject to movements in the MMS share price and other matters and will not be known until after the Closing Date (defined below).

³ The actual discount will depend on shareholder participation in the Buy-Back.

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information about the Buy-Back. The Booklet is expected to be available on MMS' website (www.mmsbuyback.com.au) from Monday 29 August 2022 and printed copies can also be dispatched to eligible shareholders on request. Shareholders who have elected to receive electronic shareholder communications will receive an email from MMS including a link to electronically access the Buy-Back Booklet along with a personalised tender form.

Details of the Buy-Back and the Buy-Back Price

The Buy-Back will be conducted by way of a tender process under which eligible shareholders on the register on Tuesday 6 September 2022 (**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;⁴ and/or
- as a Final Price Tender (being the offer to sell the Shares to MMS at the final Buy-Back Price within the 10% to 14% discount range as determined by MMS).⁵

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

MMS will determine the final Buy-Back Price based on the lowest price at which it can buy back its targeted amount of capital based on the Tenders received from participating shareholders. For eligible shareholders who choose to participate in the Buy-Back, successful Tenders will be determined as follows:

- If the Buy-Back Discount is equal to or less than the Tender Discount selected by a shareholder, or if a Final Price Tender is lodged, the Shares will be bought back, subject to any scale back and, if applicable, any nominated Minimum Price condition; and
- If the Buy-Back Discount is greater than the Tender Discount selected by a shareholder, the Tender will be unsuccessful and no Shares will be bought back.

A shareholder who has their Tender accepted will be paid the Buy-Back Price (the VWAP Market Price less the Buy-Back Discount) for each Share that is bought back even if they tendered Shares at a Tender Discount greater than the final Buy-Back Discount. Shareholders should also not have to pay any brokerage to sell their Shares into the Buy-Back.

Successful Tenders may be scaled back if the number of Shares tendered at Tender Discounts is greater than or equal to the Buy-Back Discount and the Final Price Tenders exceed the total value of Shares that MMS determines to buy back. The scale back has been structured to minimise the impact on shareholders who

⁴ “**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 21 October 2022), excluding certain trades, calculated to four decimal places, as determined by MMS after 4.30pm (Melbourne time) on the Closing Date.

⁵ 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.

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have, or would otherwise be left with, a small holding. MMS will first buy back a Priority Allocation of 166 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 41 Shares⁶ or fewer 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 \$0.99 and the balance of the Buy-Back Price will be treated as a fully-franked dividend for tax purposes.⁷ For Australian capital gains tax purposes, the deemed capital proceeds will consist of the \$0.99 capital component plus the amount by which the Tax Market Value⁸ exceeds the Buy-Back Price. It is expected that both the amount taken to be a dividend component and the amount of the deemed capital proceeds will be confirmed by the ATO in its class ruling.

It is likely that the on-market MMS share price will be higher than the Buy-Back Price as shareholders are being invited to tender Shares into the Buy-back at discounts to the VWAP Market Price. For some MMS shareholders, depending on their individual circumstances, the Buy-Back may provide an opportunity for a greater after-tax return compared with selling Shares on the market.

The Buy-Back will have different tax consequences for different shareholders. As such, MMS strongly recommends shareholders seek their own professional advice (including tax advice) about the implications of participation in the Buy-Back in respect of their own individual circumstances.

Buy-Back timetable

Announcement of Buy-Back Dispatch of Flyer	Monday 29 August 2022
Buy-Back Booklet expected to be available to shareholders on MMS website	Monday 29 August 2022

⁶ 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).

⁷ MMS anticipates this will be confirmed in the final ATO Class Ruling, which is expected to be issued after completion of the Buy-Back.

⁸ 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 in TD 2004/22 and PS LA 2007/9.

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Last day that Shares can be acquired on market to be eligible to participate in the Buy-Back and to qualify for franking credit entitlements in respect of the Buy-Back consideration	Friday 2 September 2022
Buy-Back Ex-Entitlement Date: The date that Shares commence trading on an ex-Buy-Back basis. Shares acquired on market on or after this date will generally not confer an entitlement to participate in the Buy-Back.	Monday 5 September 2022
Buy-Back Record Date: Determination of shareholders entitled to participate in the Buy-back at 7.00pm (Melbourne time)	Tuesday 6 September 2022
Tender Period opens	Monday 19 September 2022
VWAP Period	Monday 17 October 2022 – Friday 21 October 2022
Closing Date: Tenders must be received by the Registry no later than 5.00pm (Melbourne time)	Friday 21 October 2022
Buy-Back Date: Announcement of Buy-Back Price and scale back (if any) to ASX and entry into Buy-Back Contracts	Monday 24 October 2022
Buy-Back proceeds despatched to successful participants	Tuesday 1 November 2022

MMS reserves the right to vary these dates and times. Any change in date or time will take effect from the time it is authorised by MMS and will be publicly announced as soon as possible after authorisation by MMS. Such an announcement will be taken to amend the Buy-Back Booklet (and the other Buy-Back Documents) accordingly. MMS may, at its absolute discretion, also decide to vary the Buy-Back tender or not to proceed with the Buy-Back.

Further information

Certain Ineligible Shareholders (including, but not limited to, Excluded Foreign Shareholders in the United States, US Persons, Canadian residents and persons in other foreign jurisdictions whose participation in the Buy-Back would be illegal) are not entitled to participate in the Buy-Back. More eligibility information is provided in the Buy-Back Booklet.

Unless otherwise specified, capitalised terms in this announcement have the same meaning as contained in the information flyer annexed to this announcement or (if not defined in the flyer) as defined within 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.

This announcement has been authorised for release by the Board of MMS.

For more information please contact:

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