MMS Group 1HFY15 Results Presentation

February 2015

McMillanShakespeareGroup

Overview

- MMS entering a new stage of development, growth and profitability
- Using MMS financial strength and strong cash generation to build a stronger and diversified business
- Allocating capital in a disciplined, accretive way with acquisitions that are complementary to our core competencies
- Higher levels of efficiency, productivity and performance as the benefits of the IT investment program starts to positively impact the business
- Management team has been strengthened to support growth

1HFY15 key points

- Half year NPAT of $31.1m, 62% higher than PCP and 5% higher than 1HFY13
- 1H profit result largely impacted by:
  - Reduction in revenue from novated leasing due to temporary contract suspension
- Business continues to perform well despite the general economic conditions
- Strong profitable growth in Group Remuneration Services segment. Operating margins improved
- Assets under finance and management continue to grow

1HFY15 key points

- UK business building solid momentum
- Productivity improvements from our IT investment continue
- Guaranteed Future Value product has been well received by the market
- Significant contract wins and a good pipeline of new business
- Leading indicators are sound
- Interim dividend is 25 cps, fully franked (21 cps pcp)
- Acquisition of Presidian on track to complete by the 27th of February 2015

Consolidated financial performance

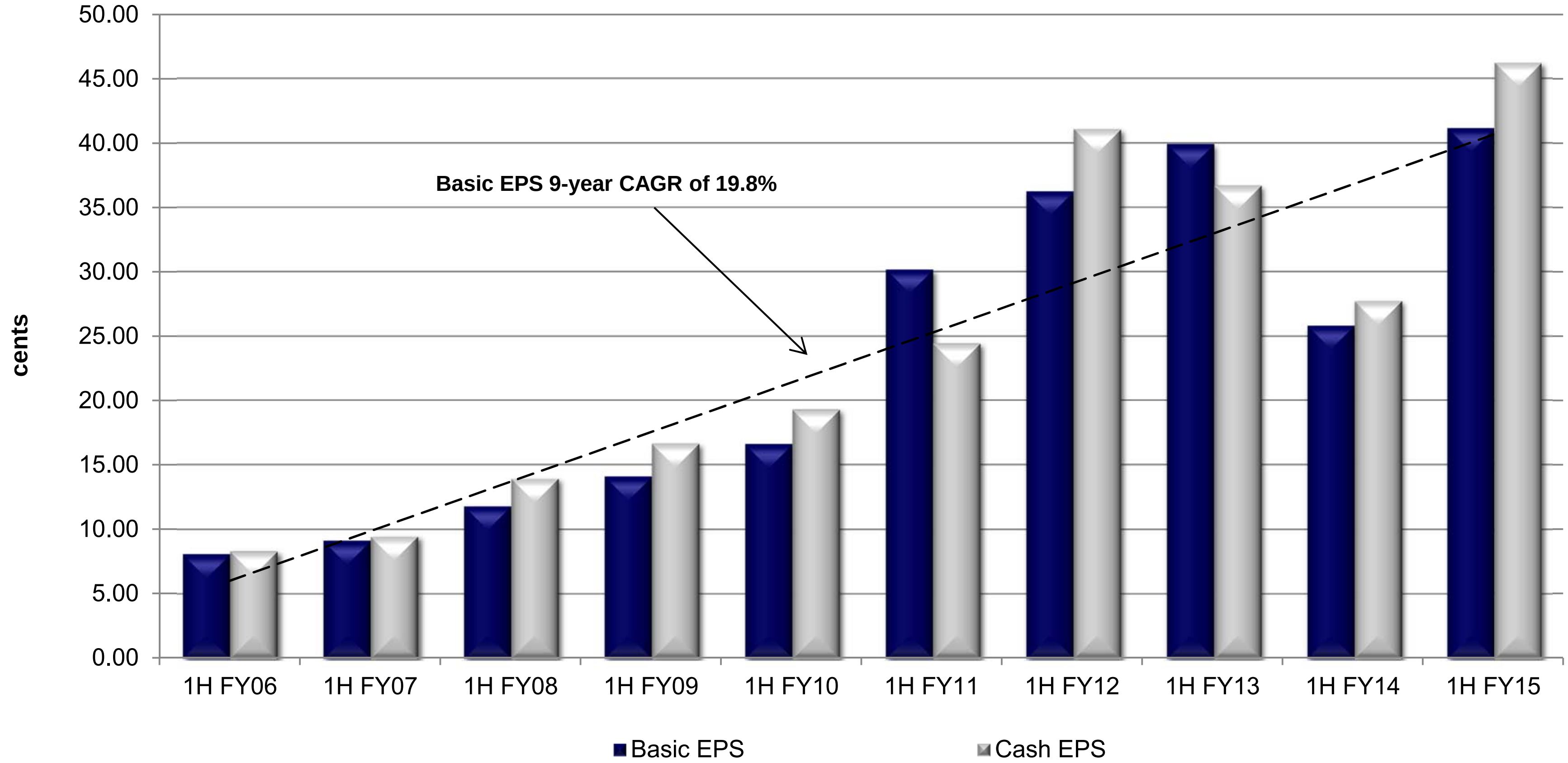
$000	1HFY15	1HFY14	% change	1HFY15	1HFY14	% change	1HFY15	1HFY14	% change	1HFY13	% change
	Group Remuneration Services	Group Remuneration Services		Asset Management	Asset Management (1)		Total	Total		Total	
Revenue from operating activities	82,801	70,548	17%	98,374	90,978	8%	181,175	161,526	12%	160,153	13%
Expenses	48,768	50,666	(4%)	88,960	81,089	10%	137,728	131,755	5%	118,336	16%
Pre tax profit from operating activities	34,033	19,882	71%	9,414	9,889	(5%)	43,447	29,771	46%	41,817	4%
Operating margin	41.1%	28.2%		9.6%	10.9%		24.0%	18.4%		26.1%	
Tax	9,454	6,644	42%	2,648	2,966	(11%)	12,102	9,610		12,537	
Segment net profit after tax pre-UK JV	**24,579**	**13,238**	**86%**	**6,766**	**6,923**	**(2%)**	**31,345**	**20,161**	55%	**29,280**	7%
Unallocated items											
Net interest income							1,218	1,041		1,332	
Public company costs							(715)	(894)		(667)	
Tax on unallocated items							(165)	(44)		(198)	
Profit after tax from operating activities pre-UK JV							**31,683**	**20,264**	56%	**29,747**	7%
Share of UK JV				(556)	(546)		(556)	(546)		-	
CLM acquisition expenses (after tax) (1)							-	(459)		-	
Net profit after tax	**24,579**	**13,238**		**6,210**	**6,377**		**31,127**	**19,259**	62%	**29,747**	5%
NPAT growth							**61.6%**	**(35.3%)**		**19.4%**	
Return on equity							27%	19%		34%	
Return on capital employed							25%	20%		32%	
Basic earnings per share (cents)							41.2	25.8	59%	39.9	3%
Diluted earnings per share (cents)							41.0	25.4	62%	39.3	4%
Diluted EPS growth							**61.5%**	**(35.4%)**		**13.4%**	
Interim dividend declared per share (cents)							25.0	21.0		24.0	
Payout ratio							61%	81%		60%	

(1) Includes CLM acquisition from 22 October 2013

Financial highlights

- Consolidated NPAT $31.1m (62% growth on PCP, 5% growth on 1HFY13)
- Group Remuneration Services NPAT $24.6m (86% growth on PCP, 12% growth on 1HFY13). Costs well controlled
- Asset Management NPAT $6.2m (3% less than PCP)
- Interim dividend of 25 cents per share (fully franked)
- Diluted EPS of 41.0 cps (62% growth on PCP, 4% growth on 1HFY13) and Basic EPS of 41.2 cps (59% growth on PCP, 3% growth on 1HFY13)
- Annualised return on equity of 27%
- Strong free cash flow of $35m (after CAPEX and tax before fleet increase)

Earning per share



Cash EPS after CAPEX but excludes the investment in fleet growth. 1HFY11 to 1HFY15 EPS includes funding the major systems upgrade as part of 5 year IT strategy

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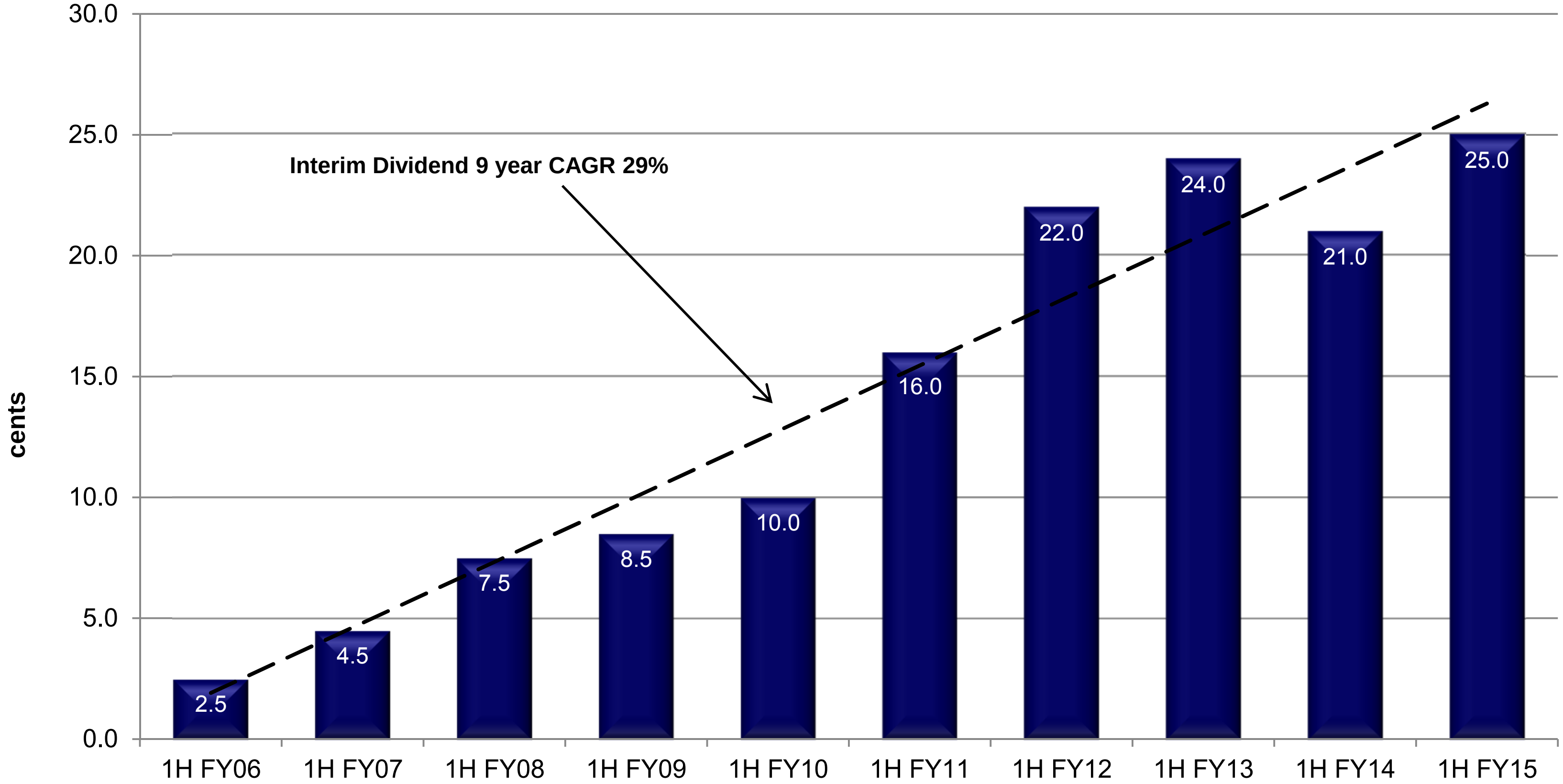
Dividends per share



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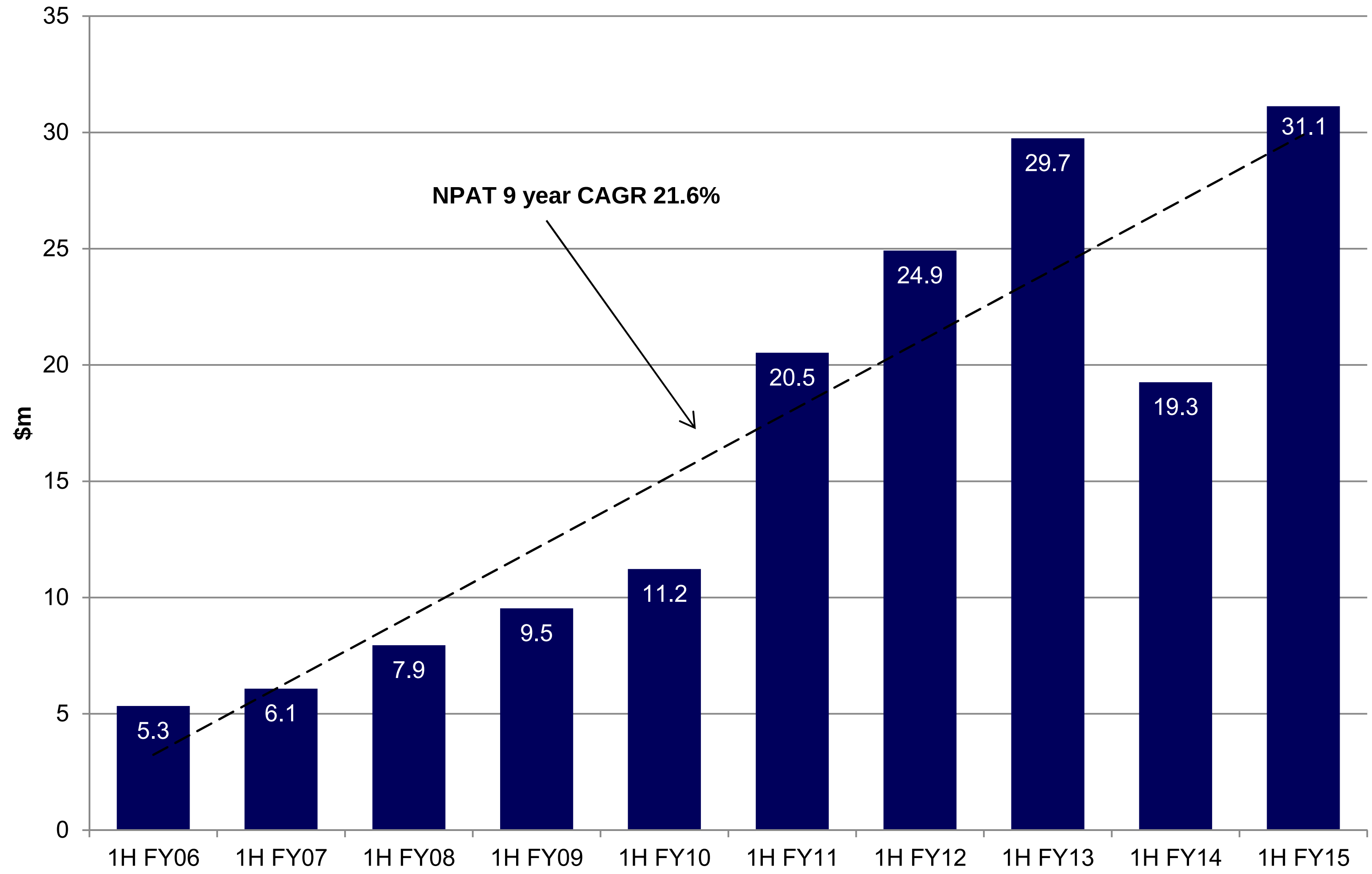
NPAT Performance



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Definition of Segments

Group Remuneration Services segment definition:
The segment provides administrative services in respect of salary packaging and facilitates the settlement of motor vehicle novated leases for customers, but does not provide financing. The segment also provides ancillary services associated with motor vehicle novated lease products such as insurance and after market products.

The Presidian acquisition will be included in this segment in future reporting periods.

Asset Management segment definition:
The segment provides financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment. This segment includes our business' in Australia, New Zealand and United Kingdom.

Group Remuneration Services financial performance

$000	1HFY15	1HFY14	% change	1HFY13	% change
Segment revenue [(1)]	**82,801**	**70,548**	**17%**	75,757	**9%**
Expenses					
Employee expenses	34,569	34,655	-	30,891	12%
Depn and amort of PPE and software	2,178	1,796	21%	1,808	20%
Property and other expenses	12,021	12,227	(2%)	11,655	3%
Total expenses	**48,768**	**48,678**	-	**44,354**	10%
Profit before tax	**34,033**	**21,870**	56%	**31,403**	8%
Tax	9,454	6,644	42%	9,413	-
Net profit after tax before campaign costs	**24,579**	**15,226**	**61%**	**21,990**	**12%**
FBT campaign costs (after tax)	-	1,988	-	-	-
Net profit after tax	**24,579**	**13,238**	**86%**	**21,990**	**12%**

(1) Excluding the impact of interest derived from external funds administered, revenue was higher by 18.5% on PCP and 11.0% higher compared to 1HFY13

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Group Remuneration Services commentary

- 1HFY15 NPAT of $24.6m was $11.3m or 86% higher than PCP and 12% higher than 1HFY13
- Business momentum disrupted in the first quarter, momentum rebuilt and finished the half well
- Improving participation, strong sales and distribution capability and significant new business wins
- Good pipeline of new business
- Core operating contribution 40%
- Free cash flow of $27.4m

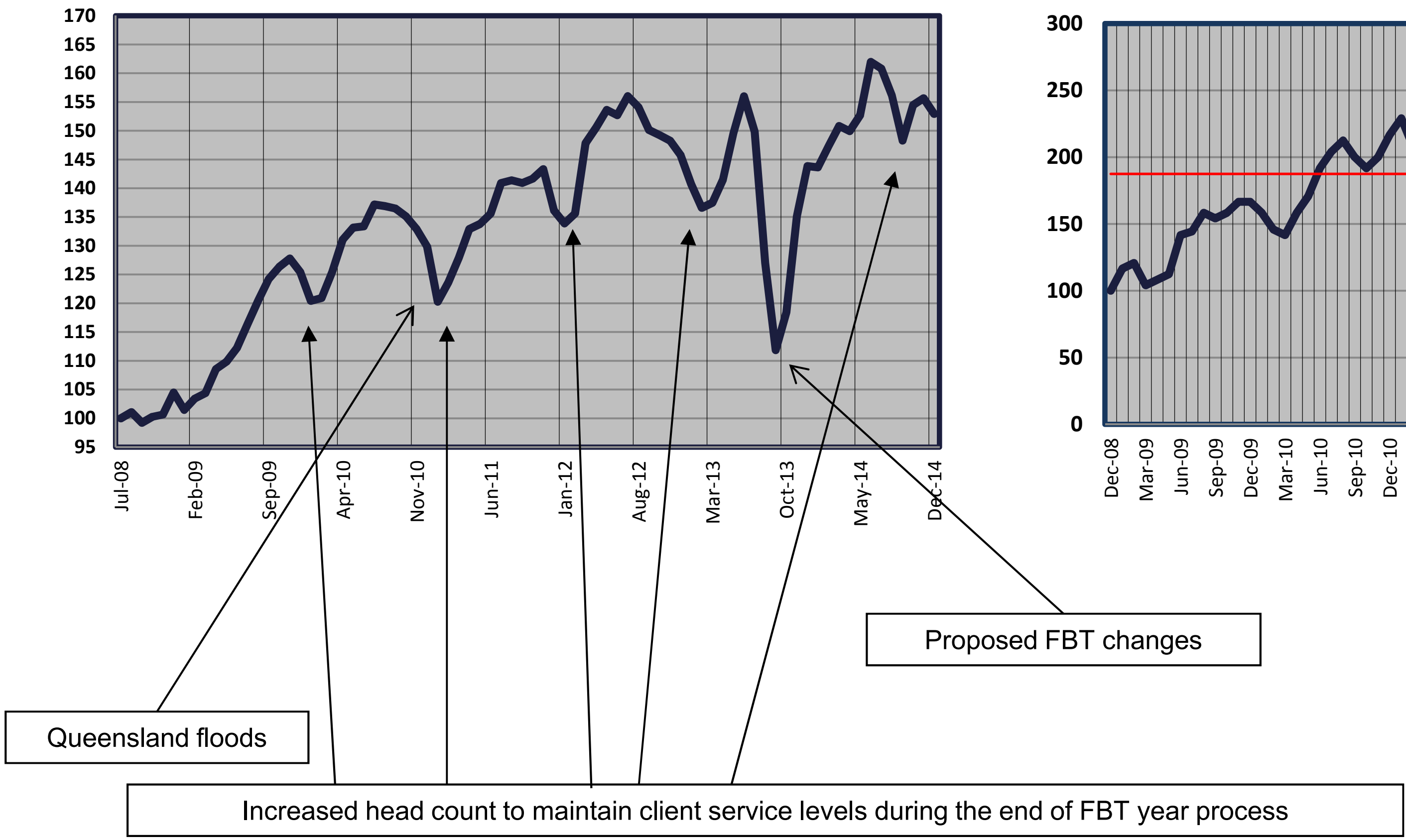
Note: Core operating contribution – profit before finance, tax and depreciation derived directly from salary packages managed and novated leasing

Group Remuneration Services commentary

- IT based projects well embedded and delivering further productivity improvements
- Maintained customer metrics above benchmarks
- Business has good momentum going into the 2H and has started well

Competitive strengths and performance indices

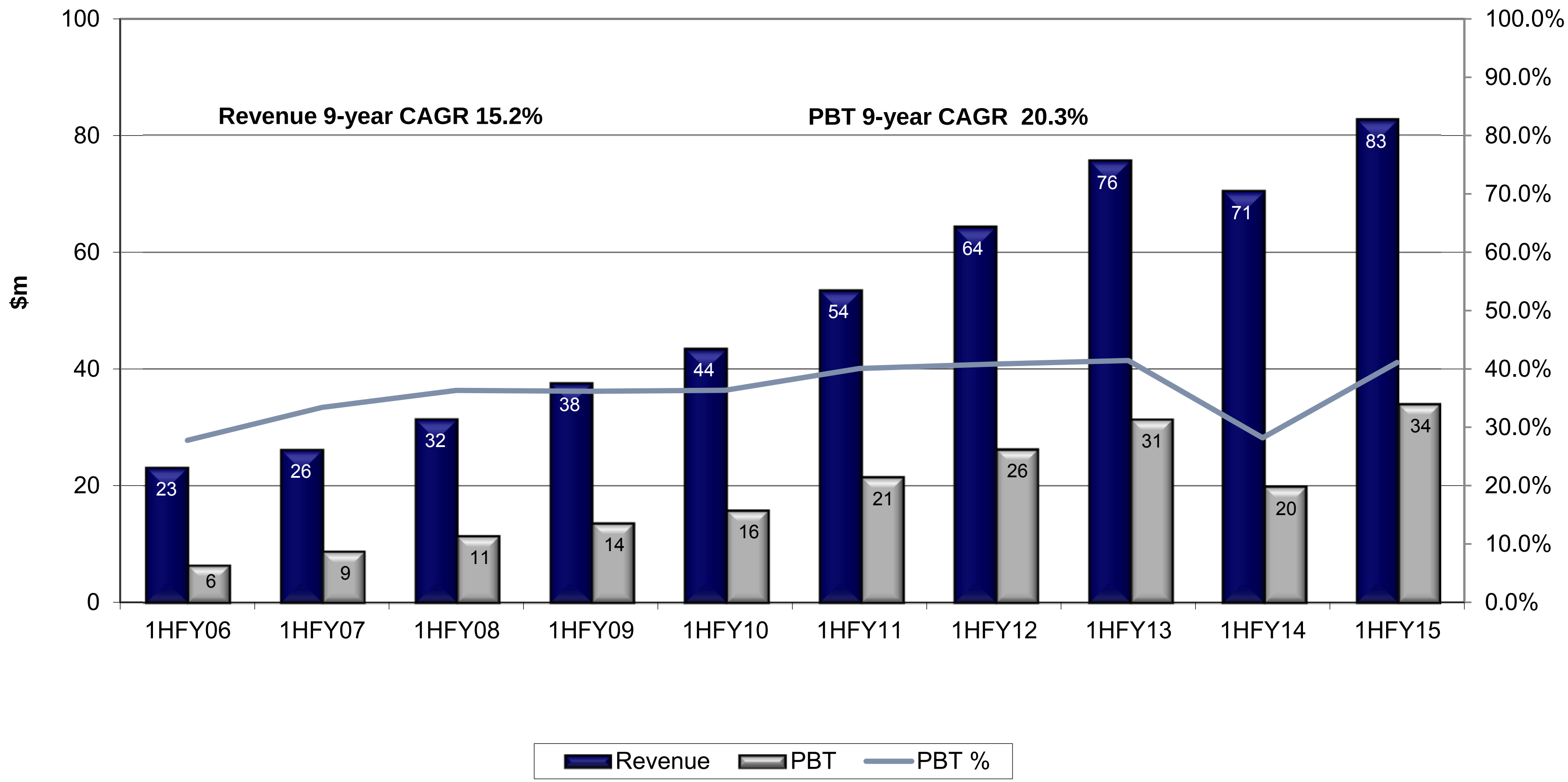
Group Remuneration Services Productivity Index (7/08 = 100)
[Rolling 3 month Revenue (ex SP Interest) / FTE]



MMS Customer Satisfaction Index
December 2008 = 100

Target

Group Remuneration Services financial performance



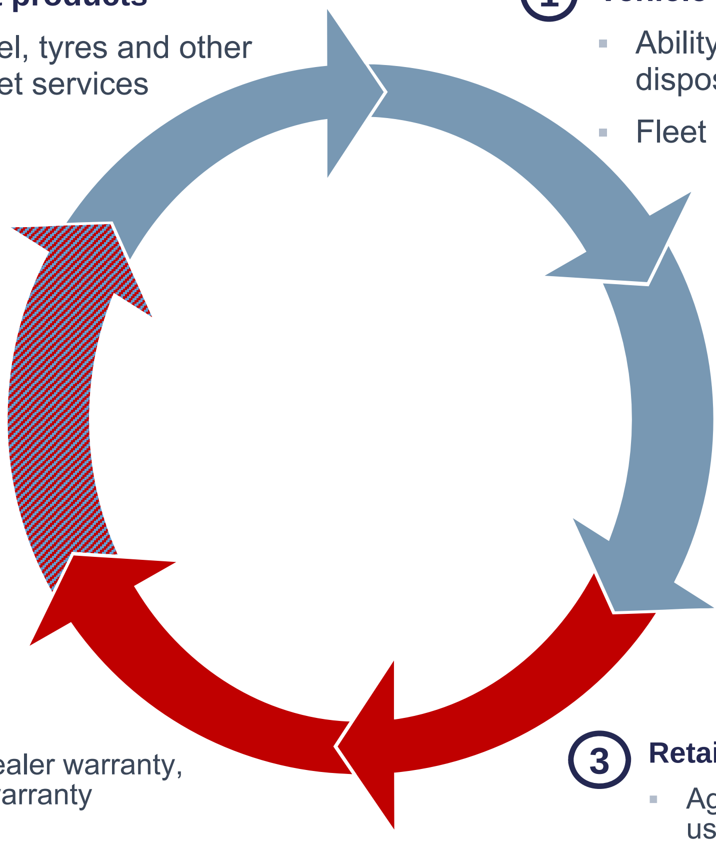
Presidian group structure

Presidian

Finance		Warranty		Insurance	
nfc	Aggregator of finance, insurance and warranty products	National Warranty Company	Manufacturer of extended warranty products for vehicle, equipment and commercial machinery	Australian Dealer Insurance	Provider of motor vehicle specific insurances and warranties
money now	Retail finance broker with 14 retail operations throughout Australia	National Roadservice Australia	Provider of 24/7 roadside assistance, in-house call centre with outsourced repair network	Motorsure	Provider of motor vehicle specific insurances and warranties
Franklin Finance Group	Direct online consumer finance, warranty and insurance broker				

Presidian Management Services (shared services)

Extension of existing virtual car dealership model



1 Vehicle management
- Ability to procure new vehicles and dispose of motor vehicles
- Fleet management

2 Asset finance / corporate sector
- Novated Leasing
- Operating Leasing
- Finance Leasing
- Commercial Hire Purchase
- Chattel Mortgage

3 Retail finance
- Aggregation and retail product offering in the used car market
- Offering IT systems, training and compliance framework

4 Warranty
- Inclusive of auto dealer warranty, and underwritten warranty products
- Provides roadside assistance

5 Insurance
- Provide enhanced insurance broking services

6 After market products
- Provide fuel, tyres and other after market services

Existing capability
Presidian services

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Presidian summary

- Earnings accretive acquisition that complements our core competencies
- Second hand car market is three and a half times larger than the new car market
- Combined opportunity to improve financial arrangements is substantial

Asset Management (AM) financial performance

	1HFY15			1HFY14			% change	
$000	AM segment	UK	Australia	AM segment	UK	Australia	AM segment	Australia
Segment revenue [1]	**98,374**	**7,460**	**90,914**	**90,978**	**5,461**	**85,517**	8%	6%
Expenses								
Depreciation of motor vehicle fleet	40,194	-	40,194	40,297	48	40,249	-	-
Interest on fleet financing	5,214	414	4,800	5,654	98	5,556	(8%)	(14%)
Lease and vehicle management expenses	30,238	2,530	27,708	23,963	3,600	20,363	26%	36%
Non-vehicle depreciation	1,542	216	1,326	1,295	72	1,223	19%	8%
Employee and other expenses	11,772	3,494	8,278	9,880	1,235	8,645	19%	(4%)
Total expenses	**88,960**	**6,654**	**82,306**	**81,089**	**5,053**	**76,036**	**10%**	**8%**
Profit before tax	**9,414**	**806**	**8,608**	**9,889**	**408**	**9,481**	**(5%)**	**(9%)**
Tax	2,648	166	2,482	2,966	90	2,876	(11%)	(14%)
Net profit after tax excluding UK JV	**6,766**	**640**	**6,126**	**6,923**	**318**	**6,605**	**(2%)**	**(7%)**
Share of JV	(556)	(556)	-	(546)	(546)	-	-	-
Net profit after tax including JV	**6,210**	**84**	**6,126**	**6,377**	**(228)**	**6,605**	**(3%)**	**(7%)**

[1] Novated lease revenue is recorded in the Group Remuneration Services segment

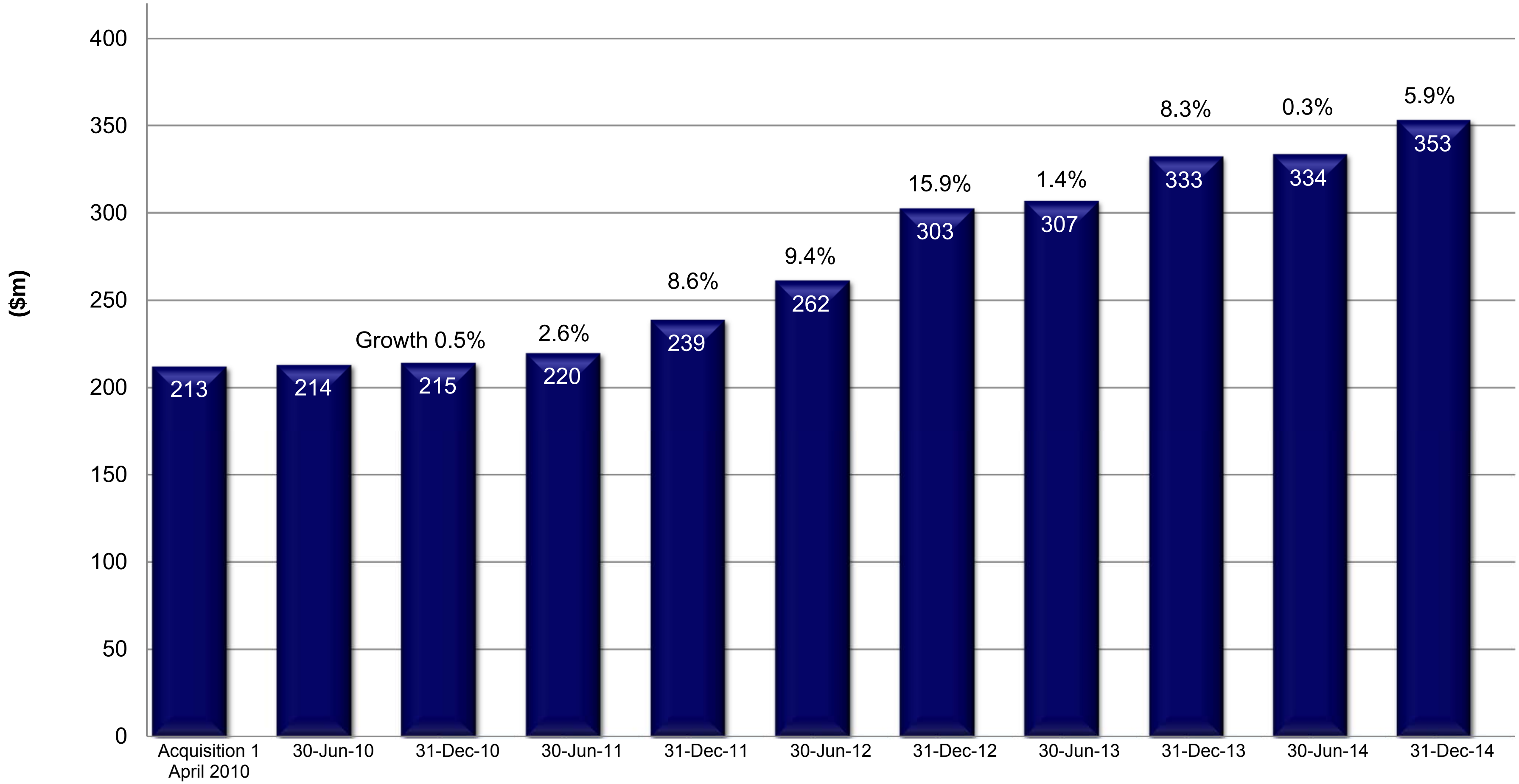
Asset Management commentary

- Assets under finance – growth continues ($19m or 6% since June 30) to $353m
- Market remains highly competitive with pressure on NIM and management fees
- Strong residual value performance. Used car prices in our segment remain sound
- Inertia of fleets remains consistent with previous period
- Prudent provisioning against possible future residual value losses $2.0m
- Interest rate risk managed through hedging facilities
- Pipeline of new business opportunities

Asset Management (UK) commentary

- UK business building momentum
  - New business growth
  - Building the brand reputation in the market
- Retail sales model supplemented with wholesale funding panel
- Assets under finance grew by A$23m
- Maxxia Finance has funded A$27m during the half
- Lifestyle Lease approved by HMRC
  - Product launch planned for later this year
- Reconfirm the UK business will be profitable this year

Fleet Assets WDV



Asset Management key balance sheet numbers

$000	31-Dec-14	30-Jun-14	Movement
Operating lease assets	301,099	303,408	(2,309)
Motor vehicle inventories	4,479	5,379	(900)
Finance leases & CHP	47,869	24,906	22,963[1]
Total funded fleet assets	353,447	333,693	19,754
Fleet financing borrowings	238,814	215,100	23,714
Maintenance instalments received in advance	6,590	7,529	(939)
Net assets	128,336	125,259	3,077

[1] Growth principally from the UK business

Gearing

$000	MMS & Group Remuneration Services 31-Dec-14	Asset Management 31-Dec-14	Group Balance at 31-Dec-14	Group Balance at 30-Jun-14
Net debt	(92,272)	233,717	141,445	143,903
Book value of equity	119,891	128,336	248,227	223,847
Gearing - net debt / (net debt + equity)		65%	36%	39%
Interest times cover (1)			12.4	10.1
Debt to total funded fleet WDV		68%		

(1) As at 31 December 2014 the group remains well within its banking covenants, while optimising the use of surplus cash to increase returns. Significant headroom is available within debt facilities to deliver on business plan.

1HFY15 Cashflow

$000	Group Remuneration Services	Asset Management	Unallocated / parent co.	MMS Group Total
Segment NPAT	24,579	6,210	338	31,127
Non-fleet depn/amort, reserves and other non-cash items	3,305	3,288	-	6,593
Working capital inflow / (outflow)	5,585	(1,239)	-	4,346
Operating cashflow pre fleet increase	33,469	8,259	338	42,066
Contract establishment and other costs	(1,293)	-	-	(1,293)
Capex (non fleet) and software incl. 5 year IT systems upgrade	(3,837)	(630)	-	(4,467)
Free cash flow before fleet increase	28,339	7,629	338	36,306
Tax payments in excess of tax expense	(925)	(366)	-	(1,291)
Free cashflow before fleet increase	27,414	7,263	338	35,015
Investing activities and fleet increase:				
Subordinated loan to UK JV	-	(496)	-	(496)
Net growth in Asset Management portfolio	-	(20,575)	-	(20,575)
Free cash flow	27,414	(13,808)	338	13,944
Financing activities:				
Equity contribution	-	-	13,272	13,272
Intercompany funding	4,677	(4,677)	-	-
Debt borrowings (net of costs)	-	22,588	-	22,588
Dividends paid	-	-	(23,632)	(23,632)
	4,677	17,911	(10,360)	12,228
Net cash movement	32,091	4,103	(10,022)	26,172

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Funding

- In FY14 the Asset Management facility limit was increased and extended to March 2017
- During the half the UK facility was increased by a further £12m to £37m (unused £20m)
- The Australian facility remains at A$300m (unused $104m)
- Cash as at 31 December 2014 was $97.4m

Risk sensitivities

- Interest rates (earnings on float)
- Second hand car prices (remarketing earnings)
- New car sales (novated lease participation)
- Government austerity/redundancy programs
- Delivery of new IT programs/increased depreciation
- Government policy development
- Significant international events, general economic conditions and consumer confidence
- Increasing competitive response

Outlook

- Ongoing organic profitable growth through:
  - New business and cross-sell from our stronger integrated value proposition, competitive cost of funds and flexible financing facilities
  - Increasing participation rates within existing customer portfolio
  - Presidian acquisition and resultant revenue synergies through improved financing for the combined Group
- Continue to invest ahead of the growth curve to ensure efficiency, productivity and performance
- Maintain industry leading service levels
- Look for continuing productivity improvement
- Business well placed to maintain momentum through continuing disciplined execution of clear strategy
- Continue to identify potential other value adding acquisitions