MMS Group 1HFY13 Results Presentation

19 February 2013

McMillanShakespeareGroup

Maxxia Maximising your workplace benefits | RemServ | HOLDEN Leasing | Interleasing

The McMillan Shakespeare Group of Companies

Half year presentation contents

1HFY13 key points

- Integrated business performing strongly.
- Ongoing strong profitable growth in Group Remuneration Services segment. Operating margins improved.
- Assets under finance and management growth continues.
- Integrated model continues to gain momentum; 54 new contracts and cross sales (80% to the private sector).
- Upgrade of asset management systems is running on-time and on-budget.
- On going significant investment in client relationship management (people and programs).
- Good pipeline of new business.

1HFY13 key points (cont'd)

- Business remains resilient in the face of ongoing economic turmoil. Leading indicators appear strong.
- We have entered into a joint venture company with an experienced local management team to launch our Maxxia business into the UK through a low cost / low risk model. The joint venture commenced on 1 February 2013.

Financial highlights

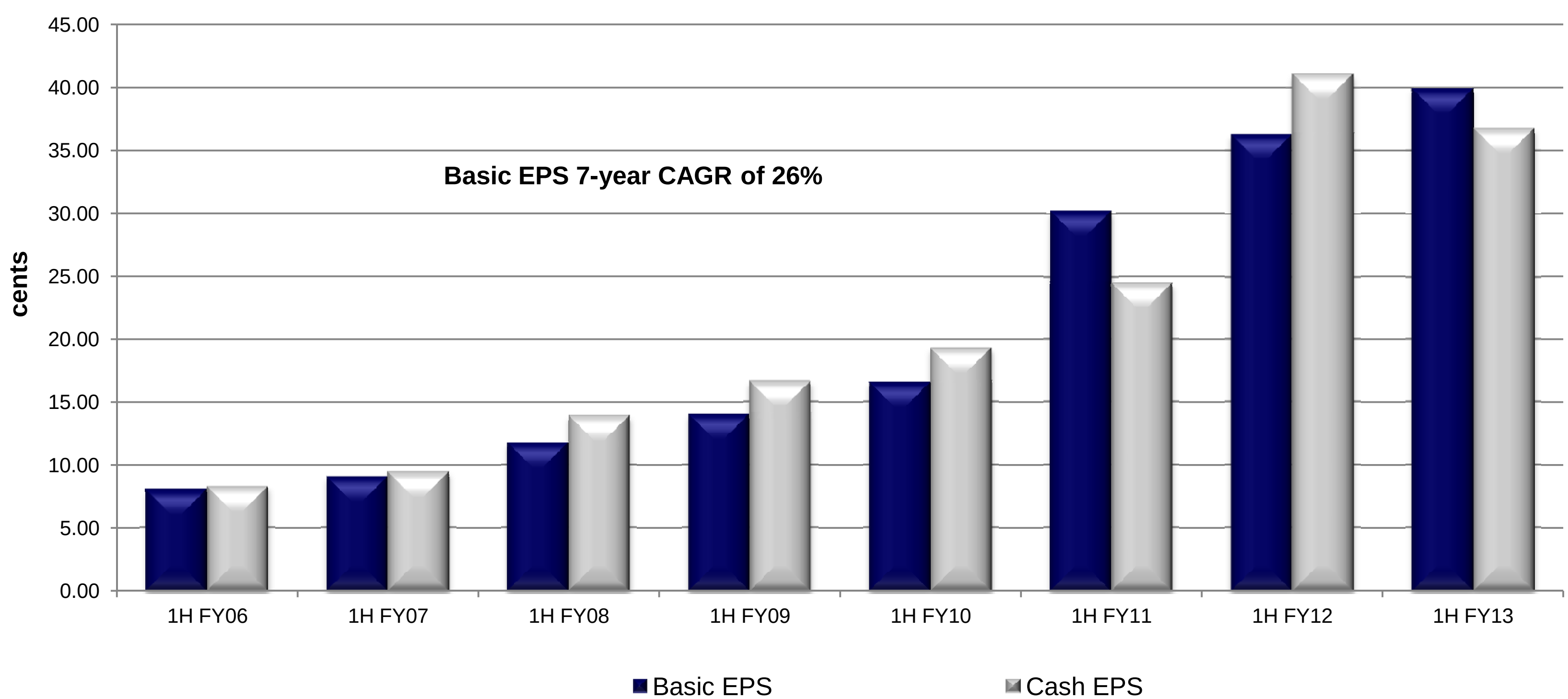
- Consolidated NPAT of $29.7m (19.4% growth on PCP, ex interest on the float, 25.6%).
- Group Remuneration Services NPAT of $22.0m (19.0% growth on PCP, ex interest on the float 28.0%).
- Asset Management NPAT of $7.3m (5.0% growth on PCP).
- Interim dividend of 24 cents per share (22 cents PCP).
- Diluted EPS(1) of 39.3 (13.4% growth on PCP) and Basic EPS(1) of 39.9 cents per share (10.0% growth).
- Annualised return on equity of 34%(1).
- Strong free cash flow of $27.1m (after CAPEX but before fleet increase).

Note 1: Diluted EPS, Basic EPS and return on equity have been impacted by the issue of 2.3m executive options in March 2012 and 2.0m in November 2011.

Consolidated financial performance

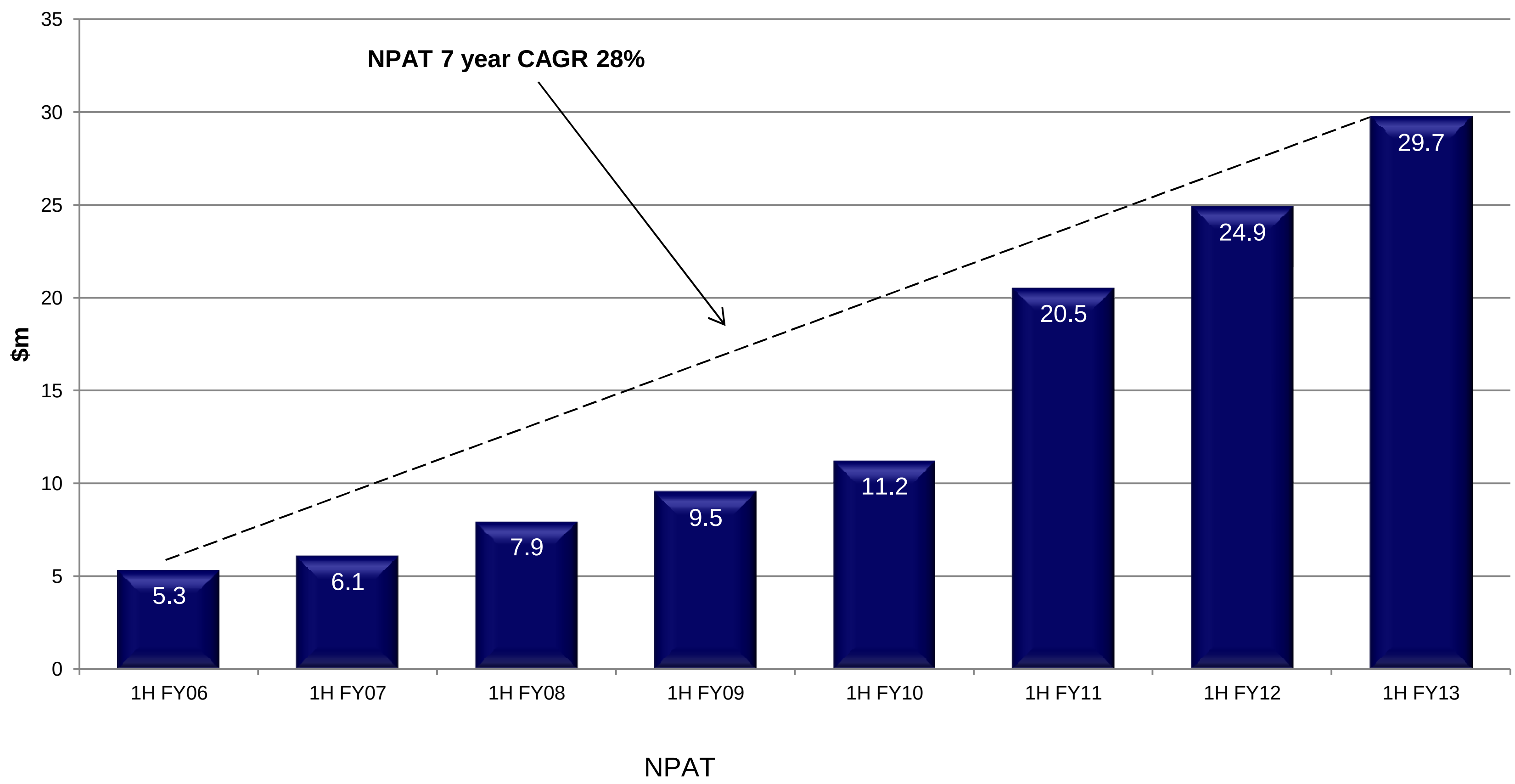
	1HFY13 $000 Group Remuneration Services	1HFY12 $000 Group Remuneration Services	% Increase	1HFY13 $000 Asset Management	1HFY12 $000 Asset Management	% Increase	1HFY13 $000 Total	1HFY12 $000 Total
Revenue from operating activities	75,757	64,413	18%	84,396	78,593	7%	160,153	143,006
Expenses	44,354	38,066	17%	73,982	68,518	8%	118,336	106,584
Pre tax profit from operating activities	31,403	26,347	19%	10,414	10,075	3%	41,817	36,422
Operating margin	41.5%	40.9%		12.3%	12.8%		26.1%	25.5%
Tax	9,413	7,868	20%	3,124	3,131	0%	12,537	10,999
Segment net profit after tax	**21,990**	**18,479**	**19%**	**7,290**	**6,944**	**5%**	**29,280**	**25,423**
Unallocated items								
Interest income							1,332	457
Interest and borrowing costs on parent company debt							-	(601)
Public company costs							(667)	(578)
Tax on unallocated items							(198)	217
Profit after tax from operating activities							**29,747**	**24,918**
NPAT growth							**19.4%**	**21.4%**
Return on equity							34%	40%
Basic earnings per share (cents)							39.91	36.27
Diluted earnings per share (cents)							39.28	34.64
Diluted EPS Growth							**13.4%**	**18.7%**
Interim dividend declared per share (cents)							24.00	22.00

Earnings per share



Cash EPS after CAPEX but excludes the investment in fleet growth. FY11, FY12 and FY13 cash EPS includes funding the major systems upgrade as part of 5 year IT strategy.

NPAT performance



Definition of segments

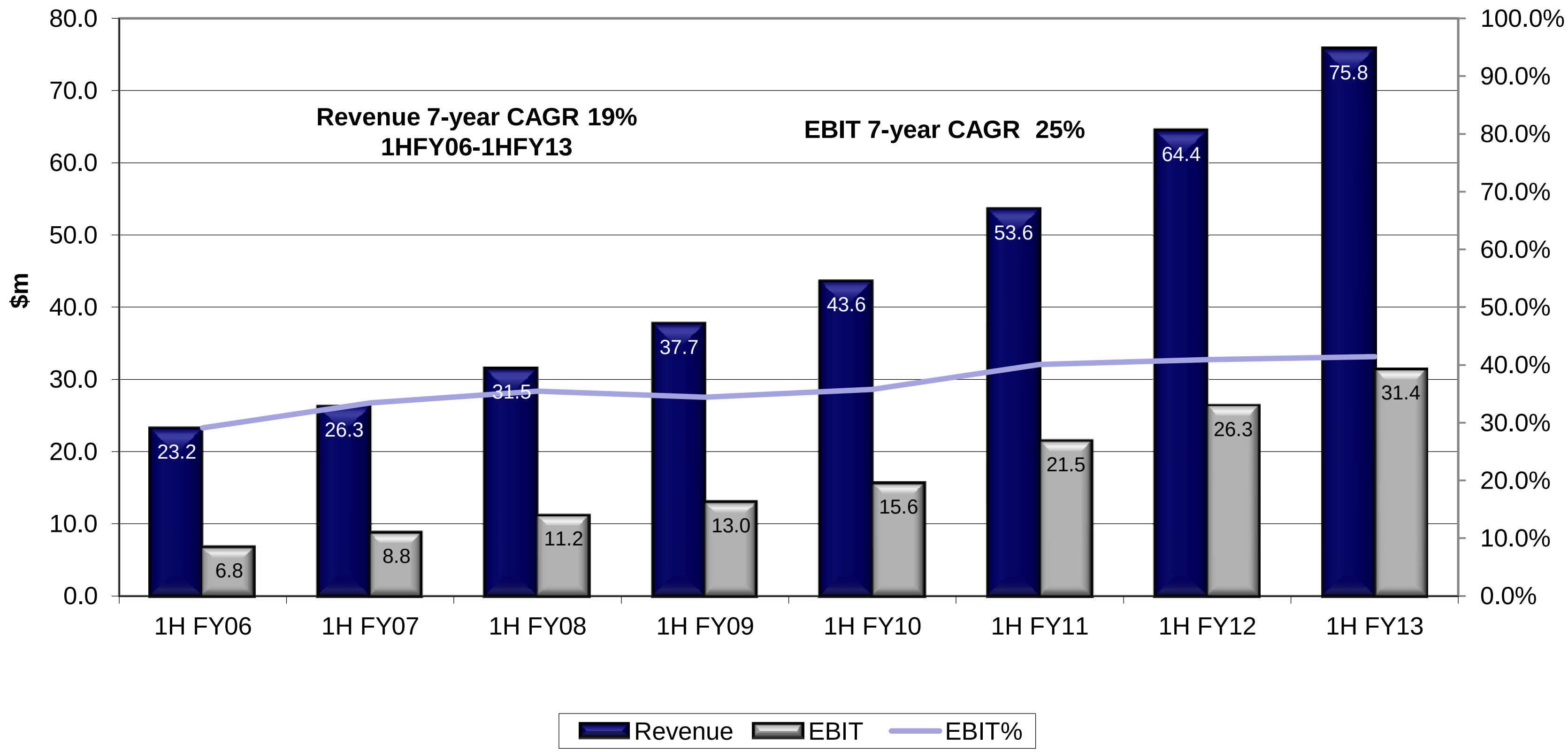
Group Remuneration Services segment definition:

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.

Asset Management segment definition:

The segment provides financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment.

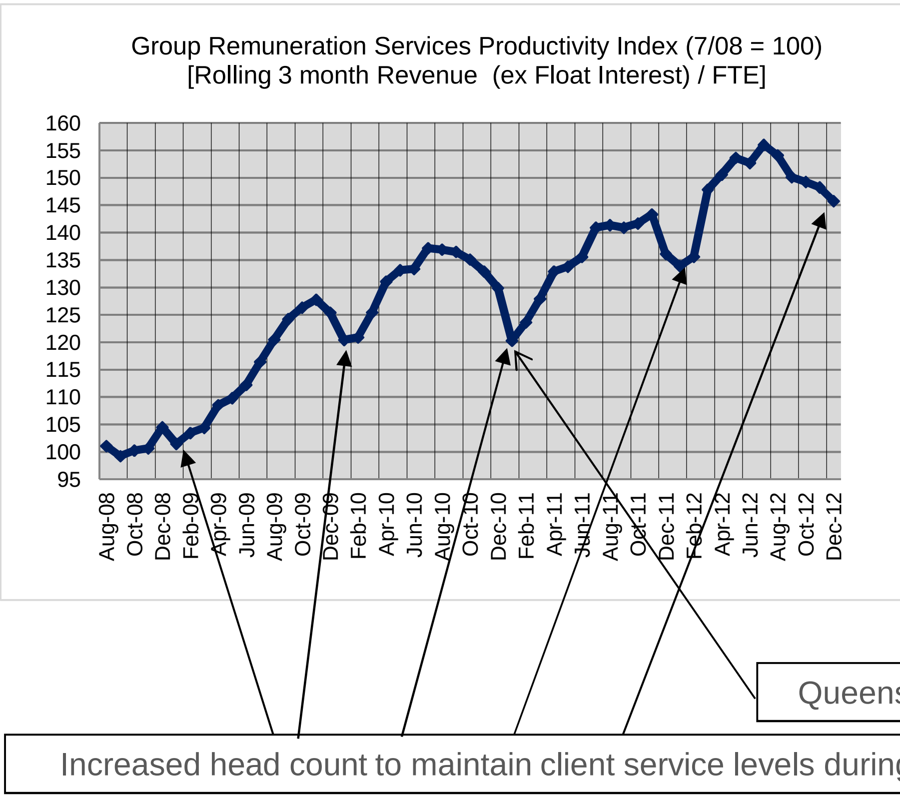
Group Remuneration Services financial performance

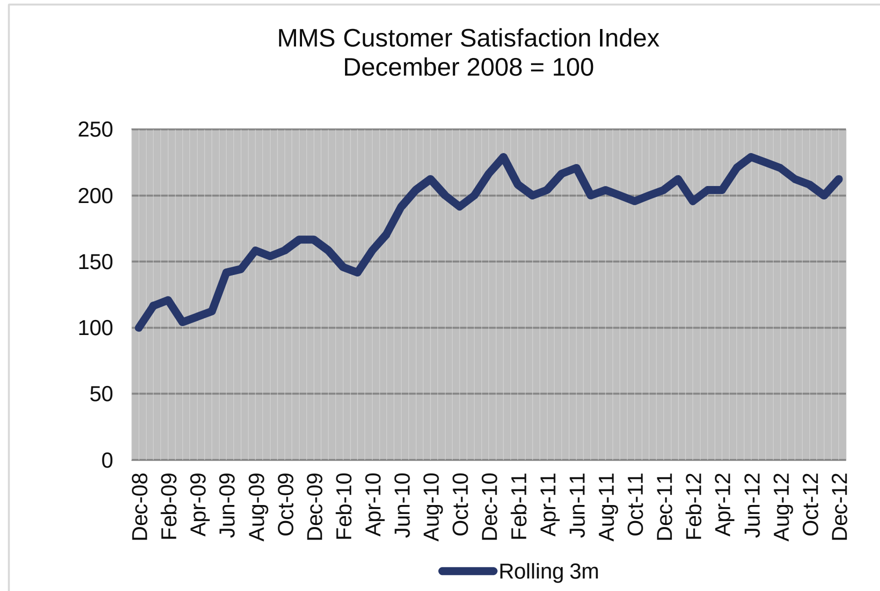


Group Remuneration Services financial performance
(cont)

	1HFY13 $000	1HFY12 $000	% Inc	Comment
Segment revenue	**75,757**	**64,413**	**18%**	(ex float interest 21%)
Expenses				
Employee expenses	29,456	24,946	18%	% increase below ex float revenue growth
Depn and amort of PPE and software	1,808	1,777	2%	
Property and other expenses	13,090	11,343	15%	
Total expenses	**44,354**	**38,066**	**17%**	
Profit before tax	**31,403**	**26,347**	**19%**	
Tax	9,413	7,868	**20%**	
Net profit after tax	**21,990**	**18,479**	**19%**	

Competitive strengths and performance indices





Group Remuneration Services commentary

- Business maintaining good momentum on the back of improving participation, strong sales and distribution capability and significant new business wins.
- Good increases in both unit sales and average yield.
- Good pipeline of new business.
- Core operating contribution increase of 26.1% over PCP.
- Free cash flow of $23.2m.

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

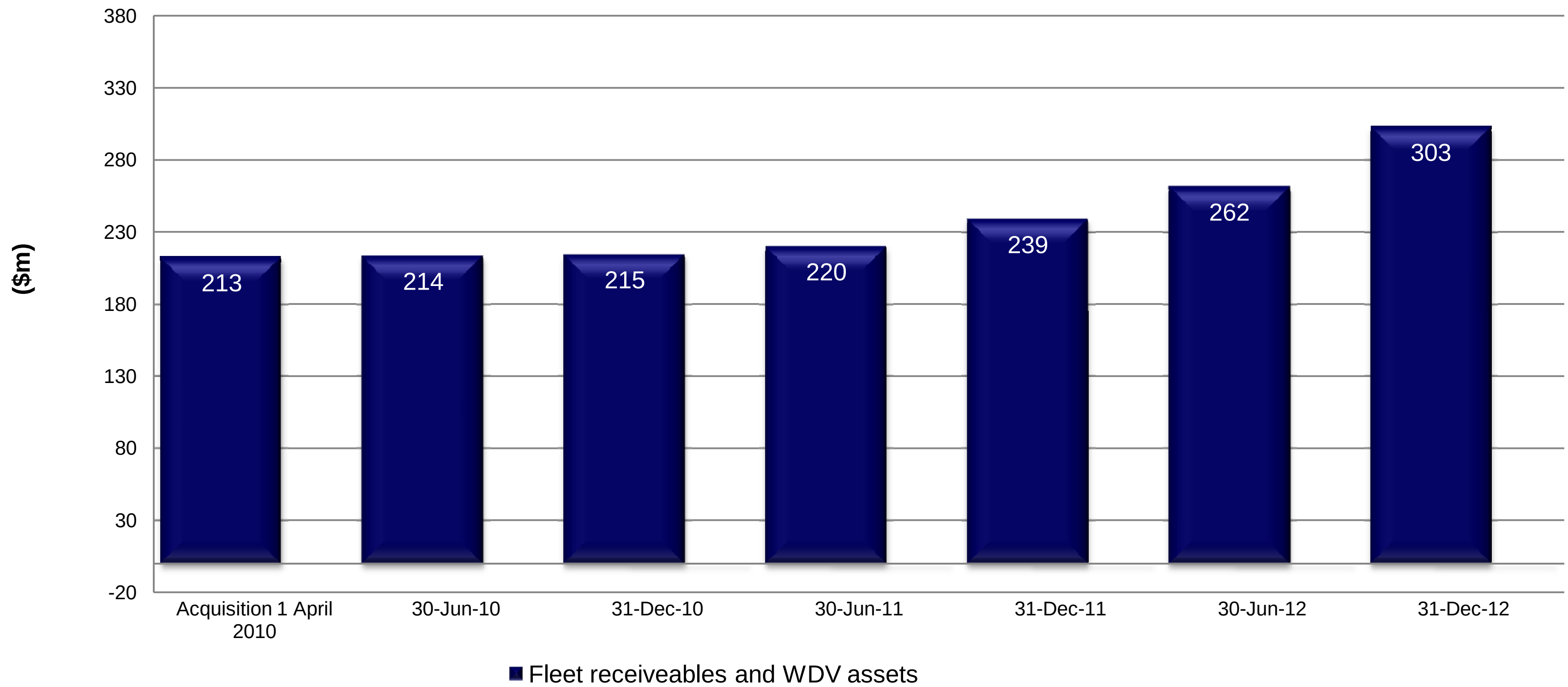
Asset Management financial performance

	1HFY13 $000	1HFY12 $000	% Inc	Comments
Segment revenue	**84,396**	**78,593**	**7%**	New contract wins roll on
Expenses				
Depreciation of motor vehicle fleet	35,984	32,693	10%	
Interest on fleet financing	5,469	4,761	15%	Growth in book
Lease and vehicle management expenses	23,988	23,401	3%	
Employee and other expenses	8,541	7,663	11%	
Total expenses	**73,982**	**68,518**	**8%**	
Profit before tax	**10,414**	**10,075**	**3%**	
Tax	3,124	3,131	**0%**	
Net profit after tax	**7,290**	**6,944**	**5%**	

Asset Management segment commentary

- First half performance exceeded expectations. Business building solid momentum.
- Assets under finance - growth continues ($41m or 16% since June 30).
- New contract wins driven by unique value proposition and improved sales activities.
- Satisfactory NIM and management fees.
- Pleasing residual value performance. Used car prices in our segment remain sound.
- Continuing improvement in returns from "in-life" services.
- Prudent provisioning against possible future losses and residual value increased to $2.0m.
- Realised credit losses of $171k.
- Interest rate risk managed through hedging facilities.
- Good pipeline of new business opportunities.

Fleet assets WDV



Asset Management key balance sheet numbers

	31-Dec-12 $000	30-Jun-12 $000	Movement $000
Operating lease assets	282,516	244,023	38,493
Motor vehicle inventories	3,131	1,980	1,151
Finance leases & CHP	17,380	15,561	1,819
Total funded fleet assets	303,028	261,564	41,464
Fleet financing borrowings (1)	189,000	156,000	33,000
Maintenance instalments received in advance	6,679	6,622	57
Net assets	98,401	97,769	632

Note 1: Fleet finance borrowing at June and December 2012 included borrowings of $10m drawn down and used to invest in a short term deposit.

Gearing

	MMS & Group Remuneration Services 31-Dec-12 $000	Asset Management 31-Dec-12 $000	Group Balance at 31-Dec-12 $000	Group Balance at 30-Jun-12 $000
Net debt	-52,798	187,673	134,875	101,580
Book value of equity	81,450	98,401	179,851	168,051
Gearing - net debt / (net debt + equity)	-184%	66%	43%	38%
Interest times cover			11.3	9.6
Debt to total funded fleet WDV		62%		

* As at 31 December 2012 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.

1HFY13 cash flow

		Group Remuneration Services $000	Asset Management $000	Unallocated / parent co. $000		MMS Group Total $000
Segment NPAT		21,990	7,290	467		29,747
Non-fleet depn/amort, reserves and fleet prov movements		2,884	762	-		3,646
Working capital inflow / (outflow)		358	(2,726)	-		(2,368)
Operating cashflow pre fleet increase and abnorm tax payments		25,232	5,326	467		31,025
Capex (non fleet) and software incl. 5 year IT systems upgrade		(1,973)	(2,548)	-		(4,521)
Free cash flow before fleet increase and abnorm tax payments		23,259	2,778	467		26,504
Tax payments in (excess) of / lower than tax expense		(109)	1,329	(645)	(1)	575
Free cashflow before fleet increase		23,150	4,107	(178)		27,079
Investing activities and fleet increase:						
Net growth in Asset Management Portfolio		-	(41,463)	-		(41,463)
Free cash flow		23,150	(37,356)	(178)		(14,384)
Financing activities:						
Equity contribution		-	-	-		-
Intercompany funding		(1,915)	1,915	-		-
Net debt (repayments)/ borrowings (net of costs)		-	32,720	-		32,720
Dividends paid		-	-	(18,631)		(18,631)
		(1,915)	34,635	(18,631)		14,089
Net cash movement		21,235	(2,721)	(18,809)		(295)

Note 1: Unallocated tax payments represent tax payments in respect of the profit on acquisition of ILA recognised in FY10.

Funding

- In FY12 the Asset Management facility limit was extended to August 2015 and increased to $270m with the ability to increase further.
- No parent company debt remaining.
- Cash as at 31 December 2012 is $54.1m.

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.
- Continue to invest ahead of the growth curve to ensure sustainability of business model.
- Maintain industry leading service levels.
- Look for continuing productivity improvement.
- Business well placed to maintain momentum through continuing disciplined execution of clear strategy.

Sensitivities

- Interest rates (earnings on float).
- Second hand car prices (remarketing earnings).
- New car sales (novated lease participation).
- Key contract tenders – NSW Government tender announcement expected in 2HFY13 (Maxxia currently one of the panel providers).
- Government austerity/redundancy programs.
- Delivery of new IT programs.
- The not-for-profit sector tax concession working group, (www.notforprofit.gov.au).
- Significant international events, general economic conditions and consumer confidence.
- Increasing competitive response.

The UK Opportunity

- Maxxia (UK) is a 50/50 joint venture company between Visper Asset Finance Limited (VAF) and MMS with an opportunity to move to 100% after five years.
- The VAF management team formerly worked for GMAC, through the Masterlease brand, in the UK, South America and Europe.
- Interleasing was part of the Masterlease stable when sold to MMS in 2010.
- After disposing of the balance of the Masterlease businesses, the management team came together to form VAF. Together they bring over 150 years of asset management expertise in the UK and beyond.
- There are salary packagers / benefit providers operating under the UK tax laws (notably for cars and child care) and there is a large market for asset finance and management (2.3 million fleet vehicles). No UK provider has an integrated offering such as MMS deploys in Australia.

The UK Opportunity (cont'd)

- The total committed investment for MMS over five years is UK £1.5m plus the cost of a senior MMS Executive to act as Managing Director of UK business (VAF will provide the CEO).
- The joint venture applies only to distribution / brokerage i.e. if MMS decides to fund assets or acquire other businesses, those will not form part of the joint venture.

The UK Opportunity (cont'd)

- In summary, this opportunity provides MMS with a low cost, low risk "look" at the UK market, backed by a UK management team with over 150 years of experience in one of the UK's leading asset management companies. This experience is bolstered by MMS existing asset management staff (Managing Director Fleet and Financial Products and Treasurer) who have had extensive working experience in UK and Europe as senior managers in one of the world's largest asset management companies. Additional governance will be provided via a senior MMS Executive on the ground in the UK acting as Managing Director of the joint venture.
- In addition, the joint venture sets a platform for MMS to test the integrated benefits / asset management strategy that has created significant shareholder value in Australia.