



# Acquisition of Presidian

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February 2015

McMillanShakespeareGroup

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# 1. Transaction overview

# Transaction overview

## Agreement to acquire Presidian Pty Ltd (“Presidian”) for \$115 million

<b>Presidian overview</b>	<ul style="list-style-type: none"> <li>▪ Leading independent provider of finance, warranty and insurance for the used vehicle market</li> <li>▪ Combined network of over 2,500 dealers, 80+ brokers and 14 retail branches (Money Now)</li> <li>▪ Highly experienced senior management team covering all key divisions of Presidian business</li> <li>▪ Achieved normalised Revenue and EBITDA of \$64.8 million and \$12.2 million respectively in FY14</li> </ul>
<b>Compelling strategic rationale</b>	<ul style="list-style-type: none"> <li>▪ Firmly establishes McMillan Shakespeare Limited (“<b>MMS</b>”) in consumer finance space for motor vehicles with market leading value position across both the new and used vehicle segments</li> <li>▪ Market leadership position in attractive ‘Warranty’ segment</li> <li>▪ Established consumer finance platform with integrated IT offering for dealers, and a finance broking capability for product extension into related asset categories (trucks, boats, other leisure vehicles)</li> <li>▪ Deep penetration into dealer landscape (2,500) opening up incremental opportunities to wider MMS organisation</li> <li>▪ Combined scale and offering drives multiple combination benefits</li> </ul>
<b>Acquisition snapshot</b>	<ul style="list-style-type: none"> <li>▪ Agreement to acquire Presidian for \$115.0 million</li> <li>▪ Implied EV / FY15 pro forma EBITDA purchase price multiple of 8.0x based on YTD run-rate performance<sup>1</sup></li> <li>▪ Acquisition is EPS accretive on a pro forma FY2015 basis<sup>2</sup></li> <li>▪ Completion of the transaction remains subject to satisfaction of customary conditions with anticipated transaction close by 27 February, 2015</li> </ul>
<b>Transaction funding</b>	<ul style="list-style-type: none"> <li>▪ 40% MMS scrip with shares held in escrow for up to 24 months (\$10.7346 per share = 4,285,192 shares)<sup>3,4</sup></li> <li>▪ 60% cash comprising existing MMS cash reserves (cash as at 30 June 2014: \$71.0 million) and debt facilities</li> </ul>

1. Based on the annualised six months trading performance through to 31 December, 2014, and excluding one-off and abnormal items including shareholder expenses, transaction costs, and financial performance of Franklin Finance (online consumer finance business) which is being restructured prior to completion (Pro forma EBITDA of \$14.4 million)
2. Pro forma FY2015 EPS accretion based on annualised first-half trading performance of both MMS and Presidian (refer note 1), and transaction funding structure
3. MMS scrip component to be based on 30-day volume weighted average price for the period one day prior to the announcement of the transaction
4. Escrow shares to be released per the following schedule: 25% released 6 months after completion, 25% released 12 months after completion, and the balance (50%) released 24 months after completion

# Presidian highlights

1

**Attractive financial profile**

- Generates robust margins at both the Gross Margin, and EBITDA level
- Diverse revenue sources across finance, insurance and warranty products

2

**Substantial distribution network**

- Over 2,500 dealers nationwide supported by 80+ brokers and 14 Money Now retail branches
- Difficult to replicate distribution footprint

3

**Industry structure**

- Highly fragmented market, with few players of scale
- Presidian is the #1 player in the used vehicle warranty market with a compelling service offering (product, training, IT systems)

4

**IT platform**

- Developed proprietary IT system tailored for Presidian environment
- Key differentiator driving customer (dealer) value proposition and operating efficiencies

5

**Depth of management expertise**

- Deep experience and capability at senior management team level covering all key divisions of Presidian business

6

**Growth opportunities**

- Commencing roll-out of integrated offering to market (Warranty, Finance, Insurance)
- Leveraging data and systems to capture incremental sale opportunities (in life services, insurance, remarketing etc.)

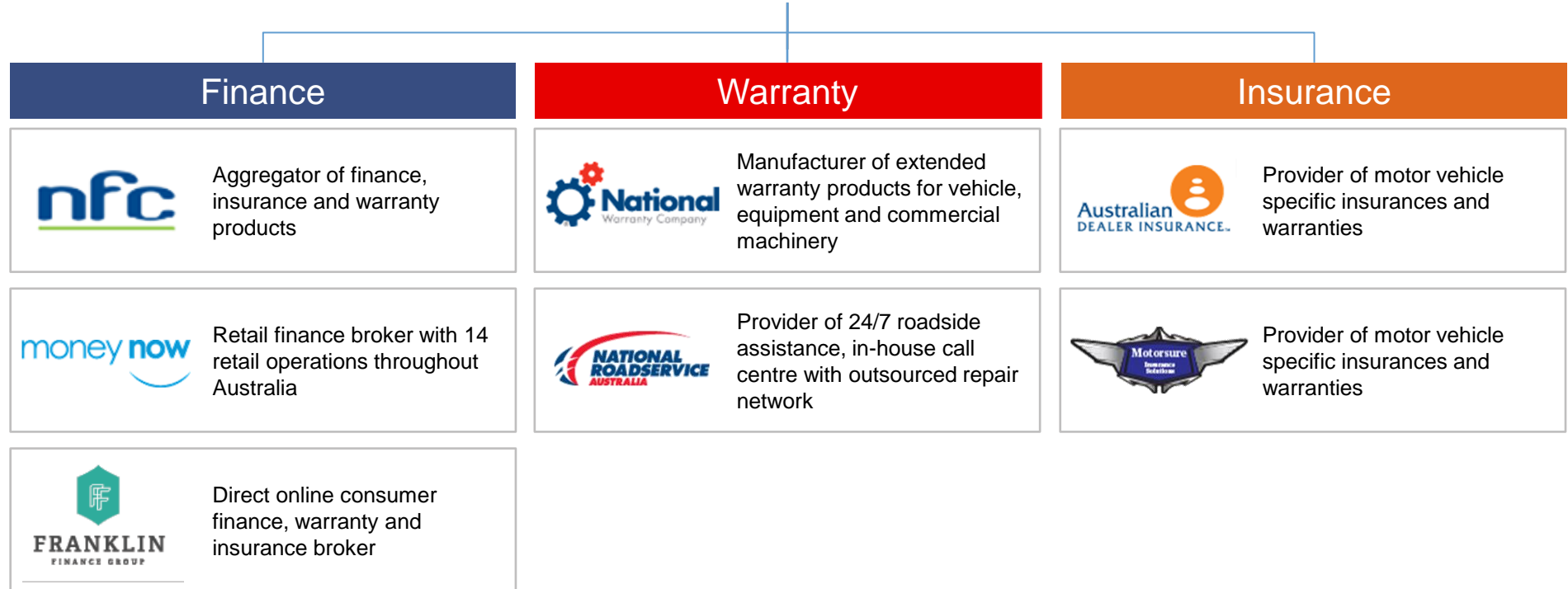
## 2. Overview of Presidian

# Presidian overview

- Presidian is an independent provider of finance, warranty and insurance products to the automotive industry, specialising in the used car market segment
- Comprises three business units providing the following services:
  - Finance: Aggregation and finance brokerage services
  - Warranty: Manufacturer and wholesaler of warranty products for motor and consumer leisure equipment
  - Insurance: Third party introducer of insurance product
- On a combined basis, Presidian has a workforce of 175 FTE's combined with in excess of 3,000 distribution points across Australia
- In FY 2014, the Company generated normalised revenues of \$64.8 million and EBITDA of \$12.2 million



# Presidian group structure



Presidian Management Services (shared services)

# Divisional snapshot

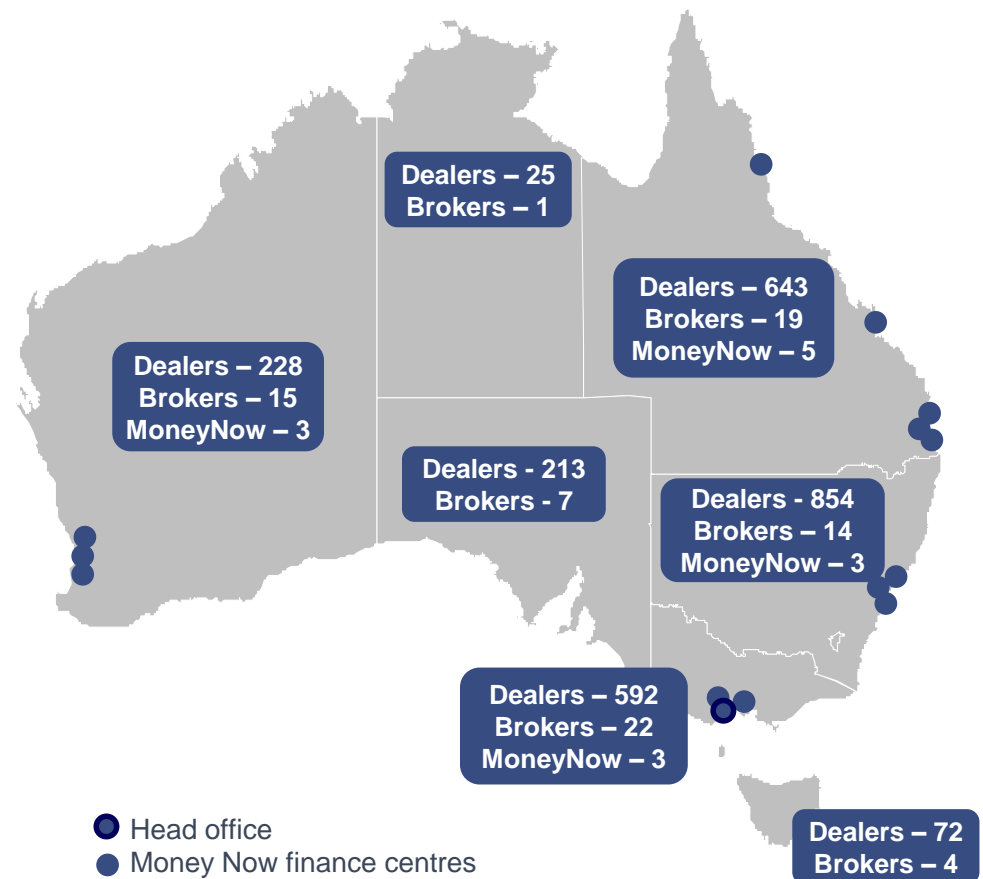


Finance	Warranty	Insurance
Est: 1992	Est: 1999	Est: 2012
Staff <sup>1</sup> : 80	Staff <sup>1</sup> : 100	Staff <sup>1</sup> : 13
Branches: 14	Policies: 164,000 p.a.	Policies: 20,000 p.a.
Dealers: 250	Dealers: 2,500	Dealers: 380
Brokers: 35	BDMs: 35	BDMs: 7

1. Divisional staff count numbers include both full-time and casual employees of Presidian

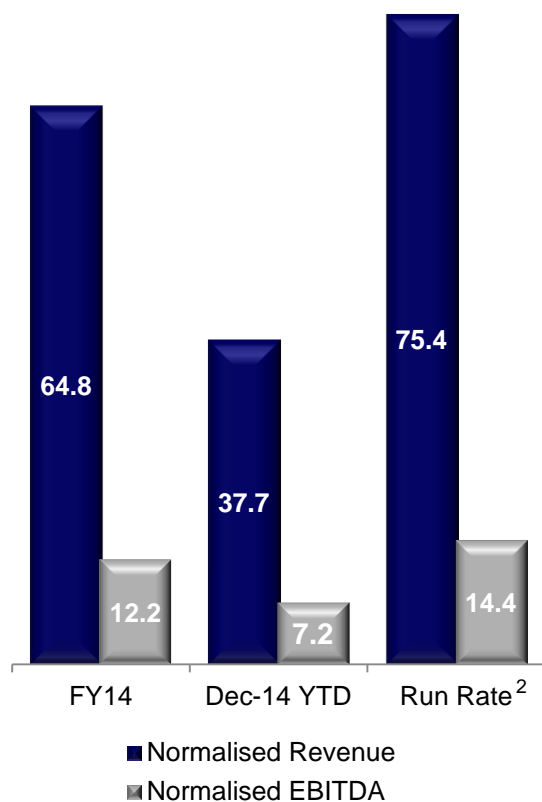
# Distribution network

- Presidian's distribution network focuses on the sale of used cars and spans Australia consisting of:
  - Over 2,500 active dealers
  - 82 brokerages with 450 individual asset finance brokers
  - 14 Money Now branches
- **Complements MMS's existing Australia wide network and auto value chain competencies in new cars**

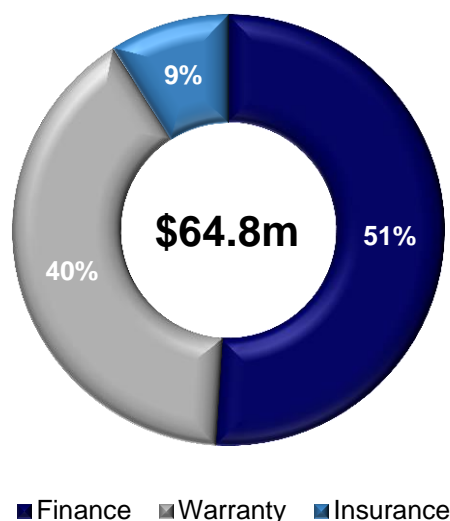


# Presidian summary financial performance

## Financial performance (\$m)<sup>1</sup>



## FY14 revenue breakdown



## Commentary

- Generates attractive EBITDA margins of 18% to 20% from diverse revenue sources
- Presidian consolidation in 2013 and 2014 has improved overall value proposition and market penetration as reflected in YTD performance FY2015
- Revenue growth anticipated from recently secured financing contract with Australia's leading automotive auction group
- Further integration and cross selling opportunities between divisions forecast to drive continued top line growth and margin improvement

1. Normalised financial performance excludes one-off and abnormal items including shareholder expenses, transaction costs, and Franklin Finance (online consumer business) which is being restructured prior to completion

2. Based on the annualised six months trading performance through to 31 December, 2014

### 3. Strategic rationale and combined business model

# Compelling strategic rationale

## Consumer finance offering

- Firmly establishes MMS in consumer finance space for new and used motor vehicles with a market leading value proposition
  - Few alternatives of scale or breadth (product)
  - Access to in excess of 2,500 dealers, 82 brokers and 14 retail (Money Now) outlets

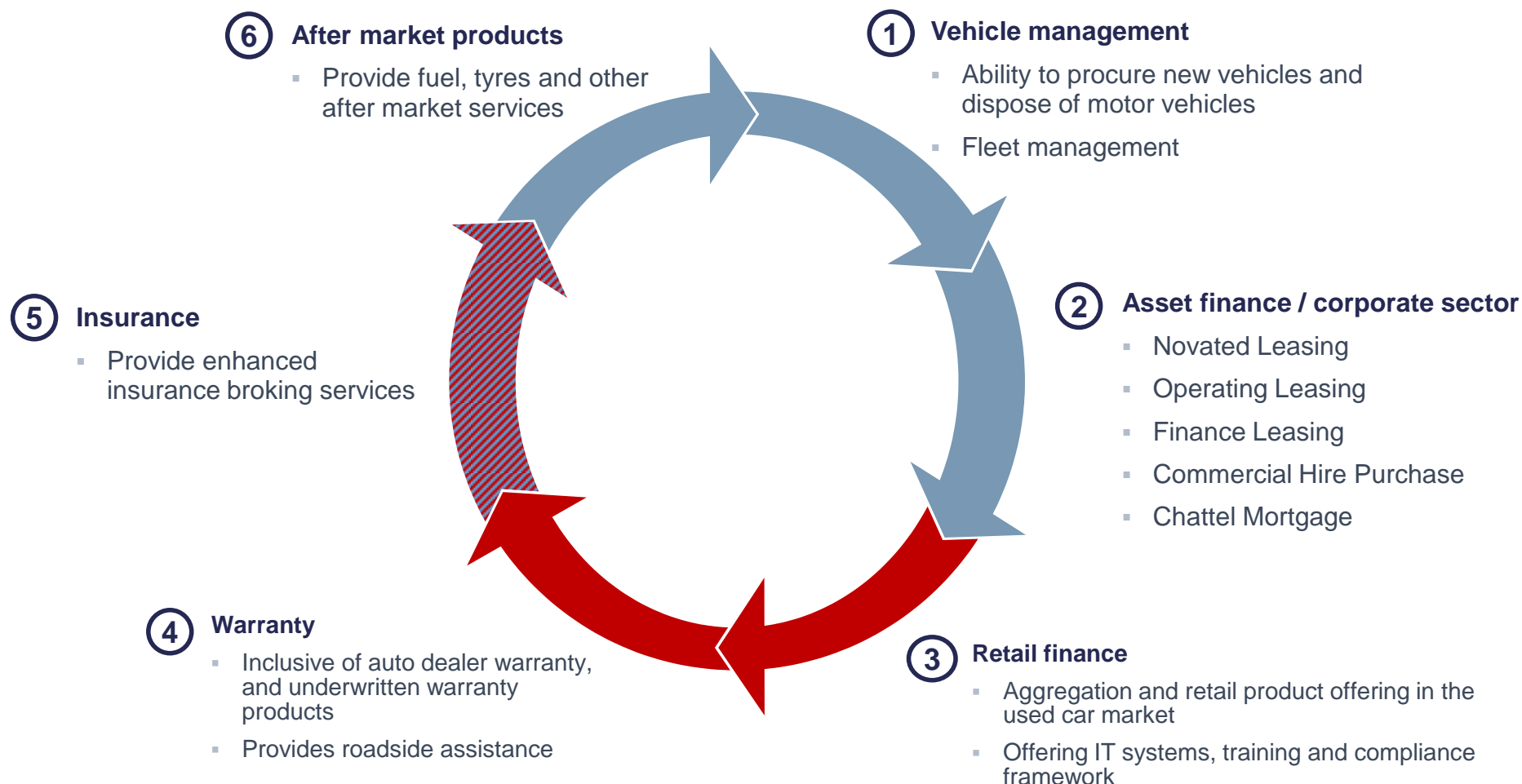
## Complementary extensions to MMS motor vehicle franchise

- Presidian provides MMS the following:
  - An established consumer finance platform
  - Finance broking capability for product extension into other asset categories such as trucks, boats, other leisure assets, etc.
  - A market leadership position in the niche 'Warranty' segment
  - Platform for further industry consolidation
  - Expansion opportunities in commercial finance
- Access to Presidian dealer network (2,500) providing opportunity to leverage MMS' scale and product offering in the auto segment

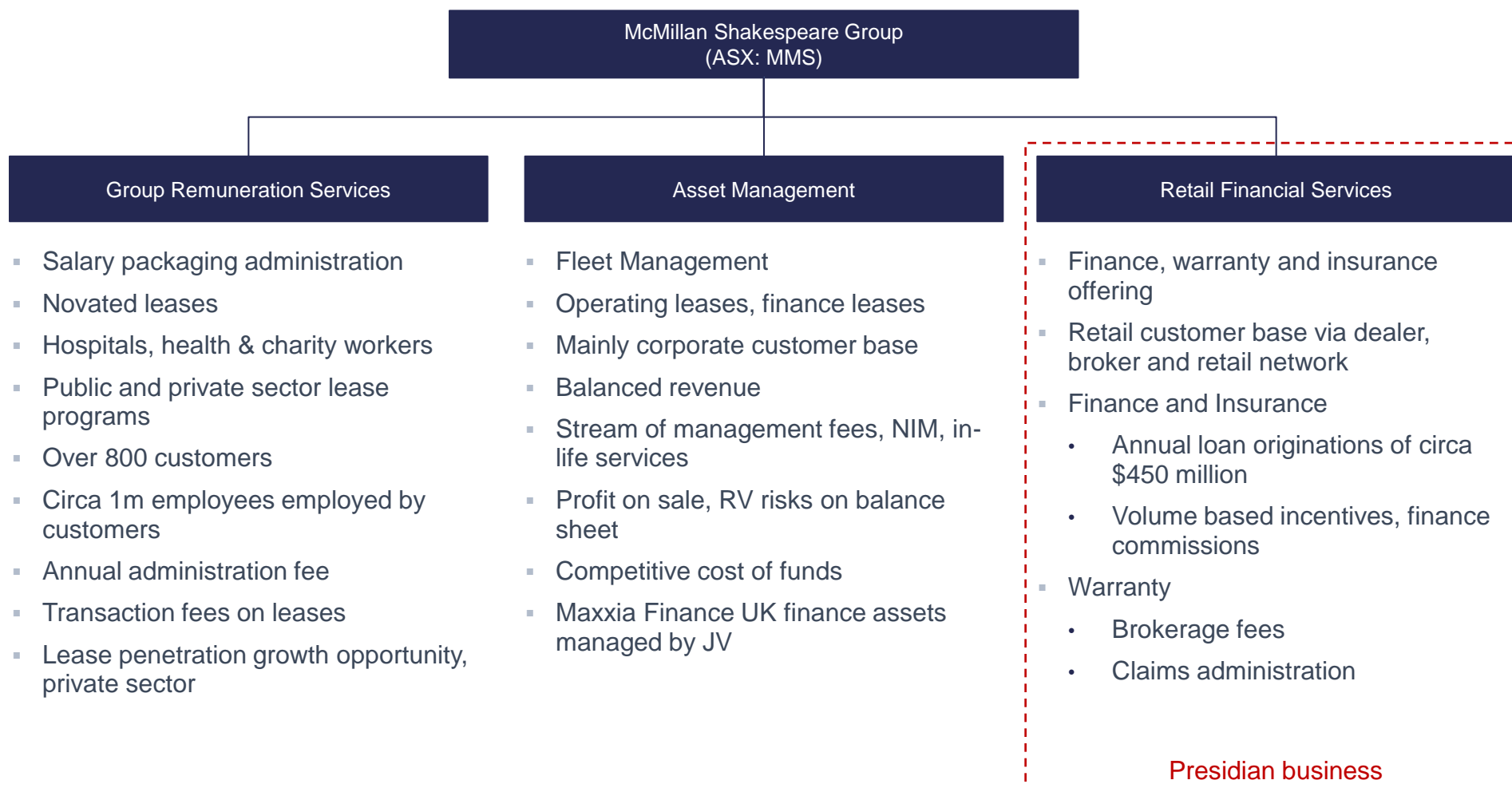
## Combination benefits

- Scale benefits with combined consumer loan book in excess of \$1.0 billion per annum
- Cross selling opportunities across both organisations
  - Vertically integrating Presidian consumer finance offering with existing MMS customers
  - Extending expert vehicle disposal services to Presidian customers

# Extension of existing virtual car dealership model



# Business model





## 4. Summary

# Summary

## Sources & uses

Sources (\$m)		Uses (\$m)	
Proceeds from the issue of MMS shares	46.0	Payment in the form of MMS shares	46.0
Surplus cash / corporate debt facilities	71.0	Payment in the form of cash	69.0
		Estimated transaction costs	2.0
<b>Total Sources</b>	<b>117.0</b>	<b>Total Uses</b>	<b>117.0</b>

## Funding structure

- \$115.0 million acquisition price
  - 40% MMS scrip
    - Priced by reference to the 30-day volume weighted average price (VWAP) one day prior to announcement of the transaction (\$10.7346 per share = 4,285,192 shares)
  - 60% cash
- Scrip held in escrow for up to 24 months<sup>1</sup>
- MMS will utilise blend of surplus cash on Balance Sheet, and existing debt facilities to fund the 60% cash component

## Key transaction features

- Suitable employment agreements entered into with key employees
- Long term arrangements entered into with key third party suppliers (IT, Insurance)
- Well provisioned Balance Sheet at completion to manage existing Warranty policies
- Targeting completion by 27 February subject to satisfaction of customary closing conditions
- EPS accretive based on a pro forma FY2015 basis<sup>2</sup>

1. Escrow shares to be released per the following schedule: 25% released 6 months after completion, 25% released 12 months after completion, and the balance (50%) released 24 months after completion  
 2. Pro forma FY2015 EPS accretion based on annualised first-half trading performance of both MMS and Presidian, and transaction funding structure



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