

McMillanShakespeareGroup

ASX ANNOUNCEMENT

Business Update and FY20 Profit Estimate

McMillan Shakespeare Limited (ASX: MMS) provides the following update on its business as the Company recovers from the impacts to date of the COVID-19 containment measures. Given the proximity to year end, MMS also takes this opportunity to provide an estimate of the Company's underlying profitability for FY20 and advises of some items that will impact FY20 statutory profit.

Group Remuneration Services

The Company's salary packaging business continues to be largely unaffected by the COVID-19 containment measures.

Inquiry levels and originations of new novated leases improved during May and June. The activity level and rate of originations in June are approximately 85% of the same month last year. Yields achieved are tracking to expectations although they are lower than the same period last year due to lower insurance penetration, lower interest rates, reduced volumes and changes in the mix of funders.

Asset Management

New asset financing in Australia and New Zealand has remained subdued. The Company has continued to focus on extending and restructuring customers lease arrangements. To date there has been minimal impact on receivables.

The Company has been conducting a review of the UK group and, in recent times, this has been impacted by the COVID-19 pandemic and the impact on business conditions in the UK. MMS has decided to restructure the UK operations and will concentrate on off balance sheet originations and fleet management.

In the UK the Company has ceased originating finance on its balance sheet and the existing funding book will be run down with the residual equity repatriated. The management structure in the UK will be significantly reduced to reflect the new operating model. The Company's FY20 statutory profit after tax will be impacted by approximately £8-10 million due to the write-down of intangibles and restructuring costs.

Plan Partners

Plan Partners has not experienced any disruption to its business because of the COVID-19 containment measures. The business continues to increase its customer base and profitability.

McMillanShakespeareGroup

Retail Financial Services

During FY20 the RFS aggregation business has experienced a reduction in finance originations and yields due to the COVID-19 pandemic, increased competition and a general decline in the number of car sales. The Company has conducted a preliminary review of the carrying value of goodwill for this business and expects statutory profit after tax to be reduced by an intangible impairment of approximately \$30-\$35 million.

Despite the challenges, the aggregation business has experienced an increase in volumes during May and June. The activity level and rate of originations in June are approximately 80% of the same month last year.

The RFS retail business has also seen sales of warranty products improve during May and June in line with the Company's other business units.

As previously advised, the Company has undertaken a comprehensive review of its warranty products and introduced new products during FY20 with additional customer value. These changes have necessitated a revision in the timing of recognising sales revenue and incurring of acquisition costs in respect of warranty product sales. The revised approach will see revenue and costs incurred more evenly and over a longer period. In transitioning to the revised approach, MMS will incur a \$10 million charge to its FY20 statutory profit.

Extension of Debt Facilities

MMS has approximately \$320 million of senior debt facilities that partly fund the Company's asset management businesses in Australia and New Zealand and the UK. These debt facilities were due to expire in March 2021.

The Company advises that approximately two-thirds of the senior debt facilities in Australia and New Zealand have been extended to March 2022 and the balance has been extended to March 2023 and March 2024. The senior debt facilities in the UK have been extended for one year to allow for the wind down of the Company's on balance sheet asset financing business as noted above.

FY20 Profit Estimate

MMS expects that its underlying net profit after tax (UNPATA) for the year ending 30 June 2020 will be approximately \$69-72 million. This estimate of underlying profit does not include the statutory profit adjustments noted above and remains subject to the year-end audit.

MMS will announce its financial results for the year ending 30 June 2020 on 19 August 2020.

This announcement was authorised for release by the MMS Board.

For more information please contact:

Mark Blackburn

CFO and Company Secretary
McMillan Shakespeare Limited

McMillan Shakespeare Limited
Level 21, 360 Elizabeth Street, Melbourne, Victoria 3000
ABN 74 107 233 983 AFSL No. 299054
Phone: +61 3 9097 3273 Web: www.mmsg.com.au