The Tower, Melbourne Central,
Floor 21, 360 Elizabeth Street, Melbourne VIC 3000
Phone: 03 9097 3000
www.mmsg.com.au

20 February 2024

Manager Company Announcements
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

By E-lodgement

McMillan Shakespeare Limited (MMS) 1HFY24 ASX Market Announcement

This release contains an announcement to the Australian Securities Exchange Limited (ASX) regarding the following:

1. Market Announcement for the financial results for the half year ended 31 December 2023.

This announcement was authorised for release by the Board of MMS.

For more information please contact:

Ashley Conn
CFO and Company Secretary
McMillan Shakespeare Limited

The Tower, Melbourne Central,
Floor 21, 360 Elizabeth Street, Melbourne VIC 3000
Phone: 03 9097 3000
www.mmsg.com.au

ASX & MARKET ANNOUNCEMENT

20 February 2024

MMS 1HFY24 Financial Results

McMillan Shakespeare Ltd (ASX:MMS, ‘the Company’) announces its financial results for the first half year ended 31 December 2023 (‘1HFY24').

Group 1HFY24 highlights[1]

- **Strong growth in financial performance and margin expansion.**
- **Novated Lease sales up 25.7%.**
- **Electric Vehicles made up 36.9% of new novated leases.**
- **Normalised EBITDA[2,3] (continuing operations) up 42.9% to $86.9m vs 1HFY23.**
- **Normalised EBITDA[2,3] margin (continuing operations) up 8.1% points to 33.3% vs 1HFY23.**
- **Normalised UNPATA[2,4] (continuing operations) up 48.2% to $53.2m vs 1HFY23.**
- **Statutory NPAT (total operations) of $37.6m up 5.8% vs 1HFY23.**
- **Interim fully franked dividend of 76.0 cps (1HFY23 Interim Dividend 58.0 cps). representing 100% payout ratio of Normalised UNPATA.**
- **“Simply Stronger” program on track.**

MMS CEO, Robert De Luca said *“The Group’s strong financial performance was achieved by supporting our customers with the benefits of novated leasing and salary packaging in maximising their take home salary during a period of increased cost of living and higher interest rates.*

Supported by the Federal Government’s Electric Vehicle FBT exemption, we have seen a clear move by Australians to transition to zero emission and more fuel-efficient vehicles. Our strong performance was supported by increasing demand and availability of Electric Vehicles reflected in novated lease sales being up 25.7% for the period with electric vehicles now accounting for 36.9% of new leases in the period.

The first half saw us continue to increase customer numbers across business segments while making good progress on our Simply Stronger program focused on supporting the Group’s strategic priorities of excelling in customer experience, technology enabled productivity and competency led solutions to deliver sustainable growth.”

Review of Operations – Normalised[1,2] Financial Performance, Continuing Operations

The Group reported statutory NPAT of $43.8m from continuing operations in 1HFY24 which was up 37.7% on the prior corresponding period ('pcp'), achieved during the economic climate of increased cost of living pressures, and reflects the objective of consumers to transition to zero emission and more fuel-efficient vehicles.

The Group reported Normalised revenue from continuing operations of $261.1m, up 8.1% on pcp, Normalised earnings before interest, tax, depreciation and amortisation ('EBITDA') were $86.9m up 42.9% on pcp, whilst Normalised underlying net profit after tax and acquisition amortisation ('UNPATA') was up 48.2% on pcp to $53.2m. The return on capital employed ('ROCE') was up 7.5% points to 46.2%.

In terms of segment Normalised UNPATA, Group Remuneration Services ('GRS') was up 71.5% to $39.6m, Asset Management ('AMS') down 4.0% to $9.9m and Plan and Support Services ('PSS') up 40.1% to $4.4m.

GRS saw strong demand for, and increasing availability of, Electric Vehicles ('EVs') supporting novated sales with new and existing customers. Novated Lease sales were up 25.7% for the period with EVs now accounting for 36.9% of new leases in the period. The strong performance for the period was also supported by better novated lease yields (up 14.9% on pcp).

The Group continued to see increasing customer numbers across business units, with salary packages up 4.8%, novated leases up 3.6%, and PSS customer numbers up 16.1%. AMS Asset written down value ('WDV') was up 9.4%.

The Group made good progress on its Simply Stronger program investing $7.3m of CAPEX during 1HFY24. During the period a number of projects were delivered, including the launch of Employer Connect, an interactive self-serve platform that provides employers with real time access and transparency to their performance and data, enabling them to manage their own reporting, resulting in lower inbound calls. The Simply Stronger program is focused on supporting the Group's strategic priorities of excelling in customer experience, technology enabled productivity and competency led solutions to deliver sustainable growth.

On 31 July 2023, the Group completed the sale of its Australian Asset Finance Aggregation business (trading as UFS and NFC). On 30 November 2023 the Group also completed the sale of its Asset Management Services UK business. As a result of these sales the Aggregation and UK businesses are no longer presented in the segment note and are discontinued operations.

Outlook and priorities

Expected market conditions
Automotive supply dynamics experienced in 1HFY24 are expected to continue through the 2HFY24 with demand for EVs being supported by a number of new brands and models expected to become available to the Australian market and increasing awareness of the benefits of the EV FBT exemption.

The Group commences 2HFY24 with $34.9m[5] of carry over revenue to benefit future periods.

Other market conditions experienced in 1HFY24 are expected to continue into the second half with wage and cost of living pressures.

Regulatory environment
The National Disability Insurance Scheme Independent Review report was handed to Minister Shorten in December 2023 for review and consultation within Government. The Report made 26 recommendations with 139 action points for the Government to consider with recommended actions 4.1, 10.3 and 10.5 potentially having implications if the Government adopts these recommendations.

MMS will continue to engage with the NDIA, Government and the sector regarding the NDIS Independent Review recommendations and outcomes.

In December 2023 Treasury issued a second consultation paper relevant to the proposed Payment System Modernisation reforms. These reforms may result in changes to the *Payments Systems (Regulation) Act 1998* (Cth.) (PSRA) and the introduction of a licensing framework for payment service providers which if implemented without changes, would include salary packaging. MMS will continue to actively engage with Treasury in relation to the proposed reforms through its industry body the National Automotive Leasing and Salary Packaging Association.

The Commonwealth Government announced its preferred settings for a Fuel Efficiency Standard ('FES') in February 2024 and will consult on the implementation for 2025. FES is designed to materially widen the range, type and affordability of EVs which are made available for the Australian market.

Operations and business priorities
The business will continue to drive organic growth and capitalise on the current EV market opportunity whilst taking appropriate actions to minimise the impact to future earnings of the SA Government contract loss.

GRS will maintain its target of 20% of novated leases funded through Onboard Finance with an estimated full year FY24 UNPATA normalisation adjustment of ~$15m.

MMS will continue to progress on the Group-wide 'Simply Stronger' program with a focus on delivering enhanced digital experience and solutions for customers, technology enabled productivity and sustainable growth. We expect to invest ~$23m in capital expenditure in the Simply Stronger program over FY24.

1HFY24 Investor Briefing Presentation

The MMS 1HFY24 Results will be presented by CEO Rob De Luca and CFO Ashely Conn in a live webcast on Tuesday 20 February 2024 at 9am (AEST).

The Results presentation can be accessed at https://webcast.openbriefing.com/mms-hyr-2024/

An archive of the event will be available via this link or via the McMillan Shakespeare website, https://mmsg.com.au/investor after the conclusion.

---

1. Continuing operations. All financial information and metrics are from continuing operations only unless otherwise stated. In relation to discontinued operations, on 31 July 2023, the Group completed the sale of its Australian Asset Finance Aggregation business (trading as UFS and NFC), and on 30 November 2023 the Group also completed the sale of its Asset Management Services UK businesses. As a result of these sales the Aggregation and UK businesses are reported as discontinued operations.
2. Normalised refers to adjustments made for the negative earnings transitional period for the implementation of the funding warehouse, Onboard Finance ("Warehouse"). It normalises for the Warehouse's in year operating and establishment expenses and for an adjustment for current commissions that would have otherwise been received in period had the sales been financed via a principal and agency funder rather than through the Warehouse. Normalised financials are stated for 1HFY24 and 1HFY23 (for comparative purposes) and are currently expected to be stated up to and including FY25. Normalised impacts of 1HFY24 are Revenue ($4.6m), EBITDA ($12.6m), EBIT ($13.3m) and UNPATA of ($9.3m) and 1HFY23 are Revenue ($1.8m), EBITDA ($4.2m), EBIT ($4.7m) and UNPATA of ($3.3m).
3. Earnings before interest, tax, depreciation (excluding fleet and warehouse depreciation) and amortisation (EBITDA) excludes the pre-tax impact of acquisition and divestment related activities and non-operational items otherwise excluded from UNPATA on a post-tax basis.
4. Underlying net profit after tax and acquisition amortisation (UNPATA), being net profit after tax but before the after-tax impact of acquisition and divestment related activities and non-operational items.
5. Estimated revenue associated with increased carry over (above pre-COVID levels) expected to become revenue when vehicle supply constraints reverse.

Note: The non-IFRS metrics in this announcement have not been reviewed in accordance with the Australian Accounting Standards.