McMillanShakespeareGroup

ASX ANNOUNCEMENT

Annual General Meeting, 20 October 2020
Chief Executive Officer and Senior Management Address

Today, I'll be providing you with a brief overview of our performance in 2020, and take you through the key financial and operational highlights for the McMillan Shakespeare Group, as well as provide you with an update on current trading for the first quarter.

Before I do that, I would like to take a moment to recognise the significant contribution of Mark Blackburn, our Chief Financial Officer & Company Secretary, who after nine years with the Group is moving onto the next chapter of his career.

As a new CEO in 2014, Mark's support and guidance was invaluable to me, providing me his counsel, based on his vast knowledge of the intricacies of life in a listed company and his many years of experience. As any good CFO should, Mark has always shared his opinions freely, with unwavering honesty, and has been a key contributor to the senior leadership group. He has conducted himself with utmost integrity and professionalism throughout his time with MMS and I would like to thank him, not just for his contribution to the Group, but also for his support over the last six years. It has always given me great confidence to work side by side with Mark but importantly, we have also been able to have a laugh along the way.

And of course, these roles can't be done without the support of those close to you, so I would also like to recognise the significance of family in Mark's life and in particular, thank Liz and the kids, for their support and encouragement of Mark over many years.

On behalf of the Board, your colleagues on the Executive team, and the wider organisation – our thanks to you Mark for making a difference over the last nine years – we wish you, Liz and the family all the very best for the future.

Big shoes to fill – but fill them we have – so I would also like to take the opportunity to introduce Ashley Conn as our new CFO & Co Sec. Ash joined MMS on October 5, with a strong background in investment banking, having worked in several global investment banking groups, as well as ASX – CFO experience, most recently at CSG, now part of the Fuji Xerox company.

Welcome Ash.

I'll now turn to the presentation and I'm on slide 5.

Slide 5 – Overview

As the Chairman mentioned in his address, whilst the underlying profitability was below what the Group achieved in FY19, the period's performance reflected a highly challenging operating environment, including the continued decline in the Australian car market, a changing and uncertain regulatory environment, and the economic impacts from both the summer's catastrophic bushfires and the COVID-19 pandemic

Group revenue for FY20 of $494 million was down compared with $549 million in FY19, whilst UNPATA declined by 22% to $69.0 million.

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Given the uncertainty of COVID-19, the Company determined that no final dividend would be paid. With an expectation to resume dividends at the half year in February 21.

Group cash flow was very strong, with free cash flow before fleet increase of $103.3m and Group cash at the end of year of $91.4m, and excluding fleet funded debt, our net cash position was $66.7m. We also extended our revolving fleet financing facilities in the second half of the year for various periods from October 21 through to March 2024.

In all, I believe we managed the period extremely well, our performance in Q4 showed a lot of resilience and despite the challenges of COVID-19 we prioritised the safety and welfare of our employees.

Importantly, we continued to progress our strategic initiatives:

- we accelerated our investment in digital technologies;
- we continued work on establishing a revolving warehouse facility for novated leasing;
- we commenced the restructuring of our UK operations; and
- off the back of another strong performance, we acquired the minority interest in Plan Partners.

Given the challenges of FY20, you could expect to see this level of change negatively impact on our people – I'm very proud of the fact that this has not been the case for our organisation – in fact our people have told us that they are even more engaged, and more aligned to our purpose – and through their efforts we continue to set the benchmark for the industry – on behalf of all, I thank them for their significant efforts and ongoing contribution to MMS.

Slide 6 – Key Operational Metrics

Moving to the key operational dashboard, you can see that despite the highly challenging operating environment, the business has performed well with continued growth in customers across salary packaging, novated leasing and plan management.

In a highly competitive environment, our GRS business has performed well. Our continued focus on improving our service offering through digital enhancements and targeted customer engagement led to a 5.2% increase in salary packages on FY19, whilst novated leases grew by 5.6%.

Plan Partners continued its strong performance, and strong growth with funds under administration increasing by more than 100% on the previous year.

Our Asset Management segment has operated in a competitive and challenging environment. While new asset financing remained subdued, we continued our transition to a more 'capital light' business model - achieving our capital light funding target with over $100 million now off balance sheet.

Slide 7 – Strategic Imperatives

I mentioned at the full year that we are committed to take the learnings from the COVID experience and to leverage them to create an even better business.

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To speak to those opportunities today, I'd like to introduce three of our senior leaders:

- Julia Edwards-Smith, our Chief Customer Officer, will present on our significant data and digital transformation journey;
- Plan Partners Chief Executive, Sean Dempsey, will provide some insights into the opportunities that exist within the National Disability Insurance Scheme; and
- To speak to the opportunities available through the redesigning of our future ways of working, I'd like to first introduce you to our Chief Human Resources Officer, Suzanne Shepherd.

Slide 8 – People – Suzanne Shepherd

Good morning everyone and thank you Mike.

At MMS our focus is on creating an engaged and connected workplace that enables our people to thrive personally and professionally whilst delivering high value business outcomes.

We have a strong and engaged culture, focused around the notion of 'Better together' – this means we place emphasis on cross functional collaboration in a way that supports and challenges our people to grow and develop their capabilities.

Our People Strategy and practices, both short and long-term, continue to be shaped by our learnings and successes, in particular those relating to our COVID-19 response and recovery.

In the initial stages of COVID-19 we moved quickly to manage the impacts on our business, with the health and safety of our people and continuity of service delivery to our customers our highest priorities.

Our culture positioned us well for the transition to remote work and we are proud of the resilience and adaptability of our people as they continue to demonstrate our collective ability to pull together to protect and grow our business through the toughest of times.

These qualities are pivotal in our attraction, onboarding and retention of talent.

The ability to pivot quickly and with confidence during this time was paramount.

We invested in the technology required to transition our entire workforce to work remotely by giving our people the necessary tools, support and empowerment to continue their work.

For example, within a matter of weeks, we implemented a new telephony platform for our Group Remuneration Services business, enabling us to maintain service delivery to customers whilst enabling all of our client services and operations teams to work from the safety of their homes with high levels of productivity.

Virtual learning and development solutions have been implemented to support the capability and careers of our people no matter where the learning is done.

In order to protect our financial health for the longer term, we partially or fully stood down parts of our workforce where there was a material change in workload.

A COVID-19 online hub was established, and we leveraged it to stay intimately connected with our people whilst providing an array of wellbeing strategies and resources focused on mental and physical state, and injecting a sense of humour and fun.

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This was complemented by a newly implemented parent portal to provide additional support for our working families. We also recognised that some of our people may need more formalised support and ensured strong awareness of our Employee Assistance Program in all communications.

Importantly, during the period we also initiated an executive led 'Future Ways of Working' team to examine and guide how and where we work in future.

To help inform the work of this team, in May this year we conducted a Pulse Survey to gauge the sentiment of our people concerning COVID and working from home.

Pleasingly, we achieved a score of 87% on the sustainable engagement elements of the survey, with our people telling us they felt well connected, informed, supported and enabled to effectively work remotely.

This was a powerful reflection of the commitment of our leaders and our results in this regard placed us above the Australian and High Performing Organisations norms at this time.

Looking forward, in FY21 our 'Future Ways of Working' team is focused on executing on our multidiscipline, integrated roadmap giving consideration to critical business perspectives. These include our People, our Properties, our Technology and Systems, and importantly, our Customer and Employee Experience, particularly from a digital service capability and productivity aspect.

The health and welfare of our people is imperative to their capacity to achieve their best in both their professional and personal lives. This, along with preserving our strong culture whilst enabling greater flexibility to where work is done into the future, remains our highest priority.

We remain highly focused on enabling the organisation to pivot in an agile and confident way, in order to drive long term success, confidence, trust, and loyalty for our customers, people and our shareholders.

I mentioned that one of the critical focus areas of our Future Ways of Working team centred on our digital service capability. To provide further insight into this and our digital transformation journey, I would now like to introduce you to Julia Edwards-Smith, our Chief Customer Officer.

Thank you.

Slide 9 – Digital and Data Transformation – Julia Edwards-Smith

Thank you for that introduction Suzanne and good morning everyone.

Leveraging our Beyond 2020 program that kicked off in 2018, we have now embarked on a significant data and digital transformation journey which has culminated in a significant pivot within the Group's marketing, CX and digital focus and capability over the last year.

In particular, we have moved to focus on our data science capabilities, customer engagement and continuing on our digital transformation journey.

A key driver of these initiatives has been our ongoing commitment to further enhance the customer experience and enable our customers to make confident choices.

Accordingly, our digital vision is to create 'the ultimate connected customer and employee experiences'.

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How? – by embracing the future to improve core performance, exploring new products, services and experiences and how we go about delivering them.

Furthermore, over recent years, our customers' expectations and behaviours have changed in terms of how they go about their buying journeys for products and services.

They want brands to make it easy for them, to provide them with greater flexibility and even more control, so they can interact with us in a time and place that suits them.

In FY20 order to meet these changing customer needs and to respond to COVID 19, we have needed to accelerate our digital transformation.

We introduced digitally-led education and customer enablement tools that not only allowed us to be able to continue to connect with Maxxia and RemServ clients, when we were no longer able to visit sites, but will also allow us to differentiate and increase our operational efficiency.

In addition, we consolidated our LiveChat platforms – which involved the expansion of our real-time LiveChat tool across our websites and our AI chat bot, resulting in LiveChat being our highest growth channel.

We also enhanced Maxxia online resulting in a material increase in platform engagement and utilisation, and launched our first salary package online set up solution which enables customers to set up their salary packaging remotely.

Importantly we also increased our customer service offering through the development and investment in the following capabilities; in-house data science, customer experience, marketing automation technology and continuous digital delivery teams.

All of which help to support the development of personalised customer communications, digital estimates, self-service app enhancements, products and more.

We also transitioned our contact centre platform to support a fully work from home workforce designed to continue its service to customers.

Since its implementation in March 2020, the new platform has received more than 260,000 calls from customers.

Our focus for FY21 is to continue to improve the customer experience through further digital enhancements in the GRS segment through seamless interactions, with the intent of increasing opportunities for digital engagement and self-service, whilst reducing operating costs.

Our pursuit of a digital first approach will include adopting advanced automation technologies and agile delivery practices to improve productivity, and increased utilisation of robotics and the digital distribution of customer engagement initiatives, creating a digitally enabled employee experience.

Enhancement of our self-service capabilities will include further online customer sign ups, increased utilisation of chat bots and the ongoing development of a digital lease sales estimate experience.

During FY21, we are continuing to invest in further customer research at both corporate and consumer levels, with a view to trialling new products and services.

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We are therefore strengthening our internal capabilities and platforms to ensure that we have the right agile and innovation processes and investments in place to enable us to bring new concepts and ideas to market rapidly in a post COVID world –applying the following four lenses: customer desirability; viability; feasibility and sustainability.

We're excited by FY21 and we're looking forward to the continued evolution of our data and digital transformation journey.

Such investment in digital self-service tools and other digital enablers forms a common focus across our respective business units, and not least Plan Partners. On that note I would now like to introduce Sean Dempsey, our CEO of Plan Partners, to talk about the business, its performance and its future focus.

Thank you.

Slide 10 – Plan Partners – Sean Dempsey

Good morning all and thank you Julia.

Each one of us holds goals and dreams for our future – a vision of how we want to live our lives and who we want to be.

For people with a disability, too often those goals and dreams can be what most Australians take for granted.

The introduction of the National Disability Insurance Scheme has been a tremendous development for many hundreds of thousands of Australians and their families, giving them greater choice, more control over the direction of their supports and a step closer to living the life they want.

The potential is extraordinary.

However as the Scheme is designed to meet so many diverse needs, it's complicated. Some may say unnecessarily so.

Many people find it challenging to navigate, particularly when it comes to managing their own NDIS funds, handling the administration of their budgets and organising their own supports.

In response, in 2016 we brought together the expertise within MMS's GRS business in managing and dispersing funds together with expertise in the disability sector through Disability Services Australia, to form Plan Partners.

Our core business is the provision of Plan Management and Support Coordination services to participants of the NDIS.

Plan management supports participants in managing their NDIS funds and taking care of the many related administrative tasks of budgeting and funds oversight.

Support Coordination on the other hand helps participants find and connect with service providers who are the right fit for their needs.

Our aim is to make a positive difference in the lives of people living with disability, enabling them to live the life they want.

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We continue to be focused on building a scalable business and to grow our earnings through enhancements to our person to person and digital offerings for both customers and service providers.

Pleasingly, over the course of FY20 the number of NDIS participants receiving funding for Plan Management increased by 8.0% to 38% of all plans. This creates further opportunity to capitalise on the scale we have built.

During FY20 the business delivered a strong performance, growing funds under administration by more than 100% to $669 million and delivering MMS's share of UNPATA of $2.7 million.

During FY20, our continued investment in technology, including offering next-day reimbursements through our online Dashboards and improved digital self-service tools, enhanced our customer experience and created a more attractive offering for service providers. Our customer feedback has been extraordinary.

This reinforcement of our value proposition led to our decision during the year to acquire Disability Services Australia's minority 25% shareholding for $8 million, effective 30 June 2020.

With the continuing rollout of the NDIS, which at full rollout will see around 500,000 participants in the Scheme, we are well positioned to continue to grow and to further invest in technology and business performance to scale the business in FY21.

Together with a focus on improved customer retention, further investment in digital self-service tools will be key to our ongoing growth and productivity.

The Plan Management sector remains greatly disaggregated, with a small number of providers holding market share of any notable size. As a result we will continue to actively explore consolidation through acquisition.

Our current systems are transferable, and our capacity to manage a high volume of transactions can be scaled.

In addition, we are cognisant that the management of funds and the large volume of transactions that occur between providers, participants, workers and others in the human services sector presents an opportunity for Plan Partners.

Thank you for your time and I will now hand back to Mike.

Slide 11 – FY21 Update

I'll now take a few moments to provide a brief update on our start to the current financial year, our priorities and progress to date on some of our key initiatives and programs.

I would like to emphasise how resilient our business is.

We have strengthened MMS. We have achieved our capital light funding target. Our debt facilities have been extended and we have a solid net cash position.

Notwithstanding the COVID restrictions in Victoria, we have had a good start to the new financial year with positive performances across all segments. The core business continues to perform through the defensive nature of the salary packaging business, a faster than anticipated recovery in novated lease sales, and strong growth in Plan Partners.

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Pleasingly, whilst not yet returning to pre COVID levels, the improvement experienced through May and June in RFS and Asset Management, has continued through the first quarter of FY21.

And, subject to the Federal Court approval, we are pleased to say that the Class Action has been settled.

Good progress has been made on the restructure of the UK operations – we have seen a much stronger activity system across our broker businesses in the first three months of the financial year as restrictions were relaxed. Clearly, the increasing case numbers currently being experienced in the UK are a concern and we continue to monitor this situation closely.

In respect to the regulatory environment in Australia, there has been no update on the review of deferred sales of add on insurances. The recent announcement by the Federal Treasurer in respect to the availability of credit, may be positive for our business, however, this has some time to run before an outcome is known and whether it generates any positive changes to credit availability.

Slide 12 – Investor Highlights

In closing, I have included a number of the positive attributes of our organisation that have served us well during COVID and will continue to do so moving forward.

We remain committed to leveraging scale, introducing new technology and pursuing strategic growth opportunities that consolidate and enhance our position in a changing, competitive, and complex marketplace.

This includes continuing our program of digital innovations and long-term investment in technology across core sales and operating platforms, driving growth from new and existing clients.

In the face of the ongoing market challenges we are committed to ensuring our value proposition remains compelling.

To achieve what we have in the last 12 months is a credit to the team and I would like to acknowledge the support of the Board, and thank our leadership team and all our employees for their dedication and commitment throughout the financial year.

This announcement was authorised for release by the MMS Board.

For more information please contact:

Mark Blackburn
CFO and Company Secretary
McMillan Shakespeare Limited

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