McMillanShakespeareGroup

ASX ANNOUNCEMENT

Market Update

FY19 Trading Performance Update

During the June quarter to date:

- Our GRS division has faced challenging conditions in the retail car market, with lower than expected volume and revenue growth; and
- Our Australian asset management business experienced an increase in contract extensions which has delayed end of contract income.

As part of our half-year reporting, we noted that our UK asset management and broking businesses have been impacted by soft market conditions and increased competition which has reduced margins. These conditions have persisted during the second half and our UK businesses have underperformed our expectations.

We currently expect to report underlying net profit after tax (UNPATA) in the range of $87 - $89 million compared to current broker consensus of approximately $92 million. This forecast does not include the issue listed immediately below.

Provision for UK Contract

Our UK asset management business entered into a series of short-term contracts, allowing the return of vehicles without the customary contract break fee, with a customer that has subsequently been placed into administration and many vehicles are being returned prematurely. As a result, we currently expect to take a provision of approximately $3.7 million after-tax in our FY19 financial result.

Whilst this is an extremely disappointing outcome, we have conducted a thorough review of our asset management exposures and adherence to our procedures, and we are confident this is a one-off issue.

RFS Warranty Business

MMS acquired our warranty business as part of the acquisition of Presidian Holdings Pty Ltd in February 2015. Since that time, we have made several changes to the products offered and have introduced new products. This business currently represents less than 1% of MMS UNPATA.

Due to the changing regulatory environment, we are currently executing a plan to further enhance the design and distribution of our warranty products. Given the inherent uncertainty associated with the regulatory environment, the MMS Board has decided to write-off the remaining goodwill of $18.2 million associated with this business in our FY19 financial results.

Return of Surplus Capital and Franking Credits

MMS has successfully executed a strategy to increase principal and agency funding during the past few years. This, coupled with our conservative approach to gearing and strong operating cash flow, means the Company currently has surplus capital and excess franking credits.

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The MMS Board is considering the best uses for this capital, including further acquisitions and other capital management initiatives. Whilst no final decision has been made, the Company has commenced a process to undertake an off-market share buyback during the second half of this calendar year, of up to $100 million.

MMS will announce its FY19 financial results on 21 August 2019.

For more information please contact:

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