

# SG Fleet Group

Integrated Mobility

## 1H2020 Investor Presentation

18 FEBRUARY 2020



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# Overview



Focus on emerging stronger from shift in industry by building on diversified portfolio



## Corporate

### Customers

- Opportunities pipeline remains strong
  - decision process continues to be slow
  - continued elevated extension levels across the board
  - multiple tender decisions due during 2H20
- Number of wins late in period – to roll on in 2H20
  - renewals without tender
- Commercial segment challenging

### Products

- Continued shift to technology-driven solutions and applications
  - customers requesting innovation presentations
  - installation of ACT charging infrastructure and EV orders
  - rapid increase in BookingIntelligence users and transactions
  - increased interest in Inspect365 following successful trials

**Positive outlook on customer and product front**



## Consumer

### Business Activity

- Continued soft vehicle sales
  - novated sales lower by 5.0% vs. 6.2% decline in private car sales
- Slow credit decisioning and elevated rejection levels late in period
- Industry-wide compression of insurance margins and exit from some add-on insurance products
- Trade Advantage performing well

### Customers

- Strong competition for available business
- Sizeable employer wins
  - further tender outcomes due in coming months
- Continued focus on Corporate – Consumer cross-sell
- Customer advocacy 82%

Addressing multiple challenges to enhance future profitability



## Environment

- Uncertainty pre-election impacts business confidence – signs of revival post-election
  - fleet registrations flat
  - short-term rental demand weaker
  - RV challenging - improvement later in period
- Hybrid & electric vehicle market share reaches 7.4% of registrations
  - sgfleet winner of Fleetworld Innovation in Green Travel award for eStart product

## Business Activity

- Sizeable wins, with new business pipeline growing
  - fully maintained contract hire wins in number of industries
  - fleet additions with existing customers, including EV
  - additional Novalease schemes in tech sector
- Focus on delivering higher number of products per customer (Novalease, Motrak, ST-rental)

Improving business activity hampered by temporary RV challenges





## Environment

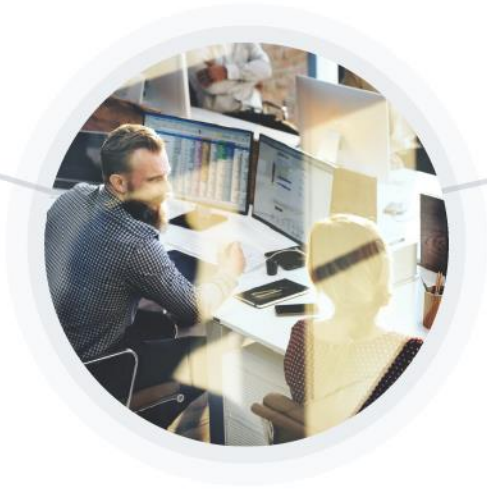
- Muted business confidence in line with weaker economic growth
- Corporate activity levels remain high, but price-sensitive
- Evidence of pick-up in government tender activity

## Business Activity

- Secured Northpower contract
  - ca. 1,200 assets
- Win has attracted other potential customers - pursuing multiple other opportunities
- Continued conversion of fleet managed to full service

Further breakthrough win raises business profile further

# Financial Results





# Financial Summary

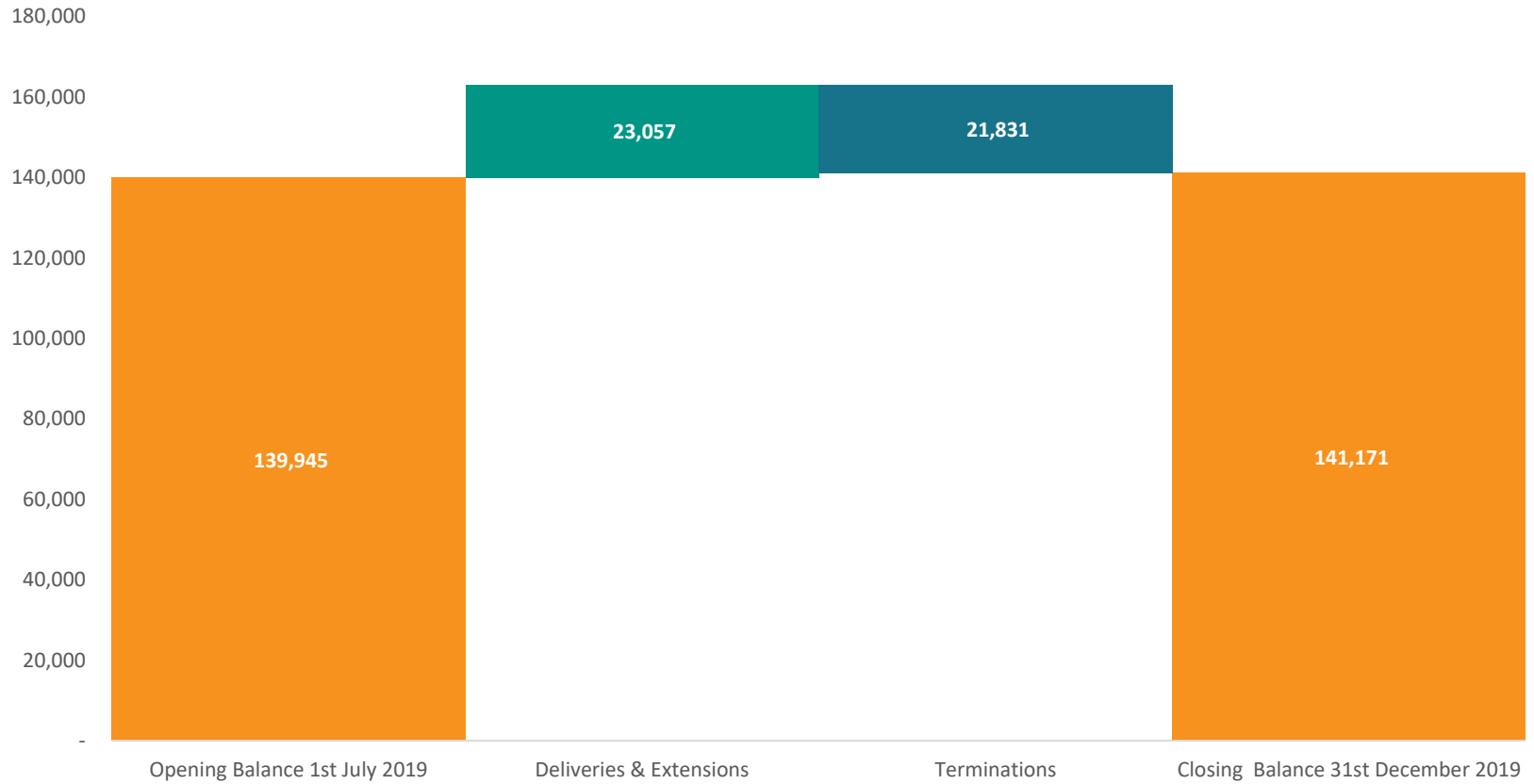
A\$m	1H2020	1H2019	Variance
Revenue	250.2	248.7	0.6%
Cost of Revenue	(153.3)	(147.2)	4.1%
<b>Net Revenue</b>	<b>96.9</b>	<b>101.5</b>	<b>(4.5%)</b>
Operating Expenses	(50.6)	(47.4)	6.8%
<b>Operating EBITDA</b>	<b>46.3</b>	<b>54.1</b>	<b>(14.4%)</b>
Depreciation and amortisation expense	(8.2)	(8.3)	(1.2%)
<b>Operating Income</b>	<b>38.1</b>	<b>45.8</b>	<b>(16.8%)</b>
Interest on Corporate Debt	(2.8)	(3.8)	(26.3%)
<b>Underlying Net Profit Before Income Tax</b>	<b>35.3</b>	<b>42.0</b>	<b>(16.0%)</b>
Tax	(10.8)	(12.6)	(14.3%)
<b>Underlying Net Profit After Tax<sup>1</sup></b>	<b>24.5</b>	<b>29.4</b>	<b>(16.6%)</b>
<b>Reported Net Profit After Tax</b>	<b>24.5</b>	<b>29.4</b>	<b>(16.6%)</b>
<b>Underlying Net Profit After Tax<sup>1</sup></b>	<b>24.5</b>	<b>29.4</b>	<b>(16.6%)</b>
Amortisation of Intangibles	3.5	3.5	-
<b>Underlying NPATA<sup>2</sup></b>	<b>28.0</b>	<b>32.9</b>	<b>(14.9%)</b>
Underlying EPS (cents)	9.35	11.33	(17.5%)
Reported EPS (cents)	9.35	11.33	(17.5%)
Underlying Cash EPS (cents)	10.68	12.69	(15.8%)

1: Underlying Net Profit After Tax = Net Profit After Tax before significant non-recurring items.

2: Underlying NPATA = Net Profit After Tax before acquisition-related expenses incurred during the reported period and excluding amortisation and impairment of intangible assets on an after tax basis.

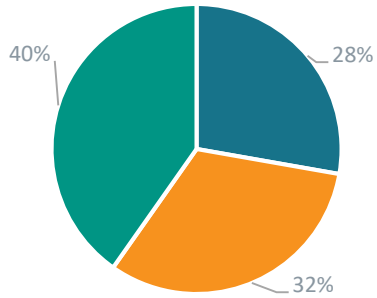
- June – December 2019 Australian private sector car sales down 6.2% vs. pcp
  - SG Fleet’s novated car sales down 5%
- Impact of changes to add-on insurance product portfolio
- No revenue impact from securitisation in 1H - limited opex impact

# Fleet Movement



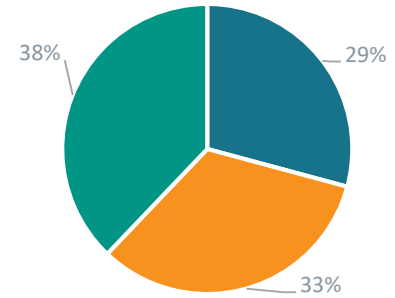
# Fleet Mix

Dec 2019



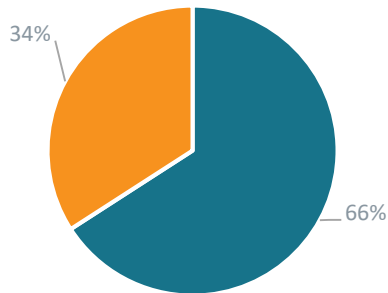
■ Operating ■ Finance ■ Fleet Managed

Dec 2018



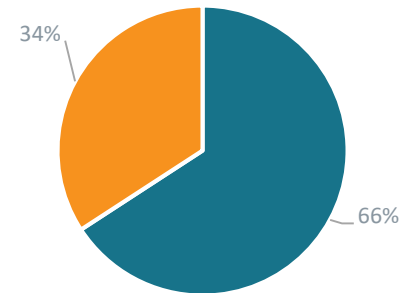
■ Operating ■ Finance ■ Fleet Managed

Dec 2019



■ Corporate ■ Salary Packaging

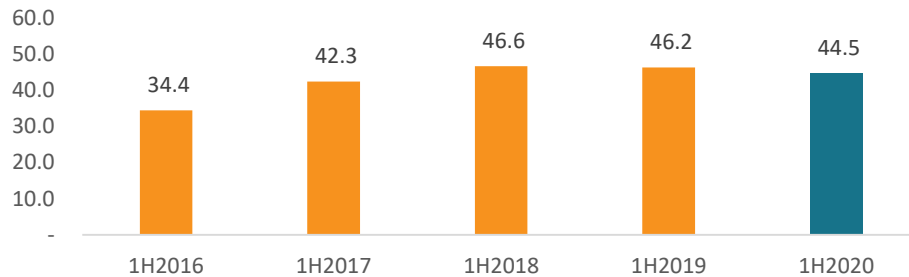
Dec 2018



■ Corporate ■ Salary Packaging

# Revenue Analysis

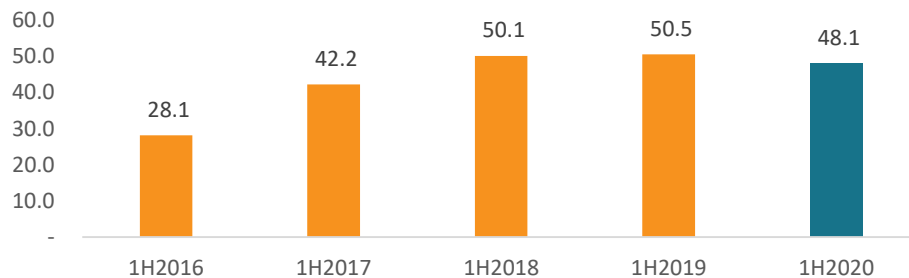
## Management and Maintenance Income



↓ 3.6%

- Impacted by 2.8% decline in funded fleet
- Reduction in number of fully-maintained vehicles

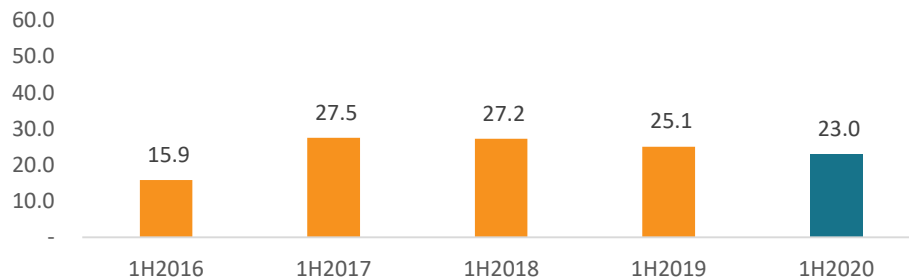
## Additional Products and Services



↓ 4.7%

- Impact of changes to add-on insurance product portfolio
  - reduction in margins
  - spreading of income
  - certain products exited

## Funding Commission

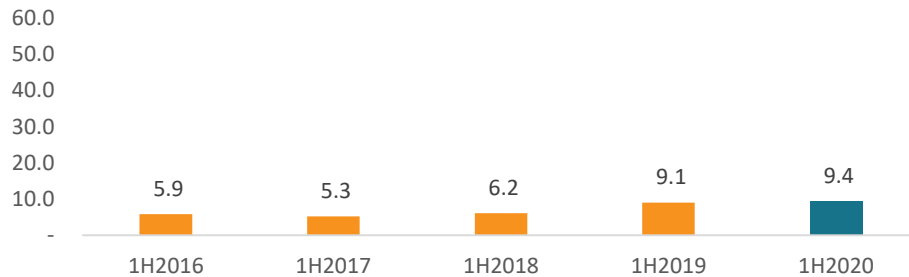


↓ 8.3%

- Credit rejections elevated
- Impact of soft vehicle sales in Australia

# Revenue & Direct Costs Analysis

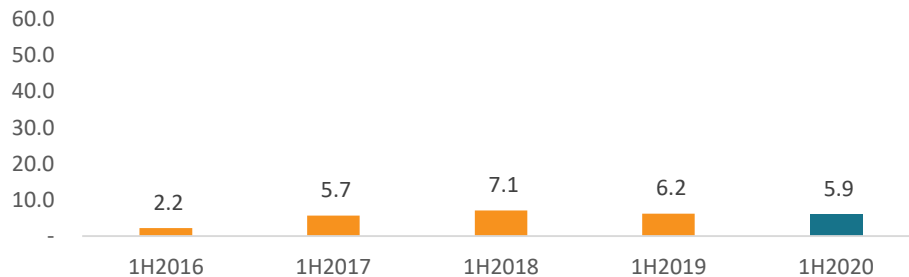
## Net End of Lease Income



↑ 3.4%

- Strong disposal results in Australia
- Offset by weak UK market in lead-up to election - now showing signs of improvement
- Trade Advantage performed well

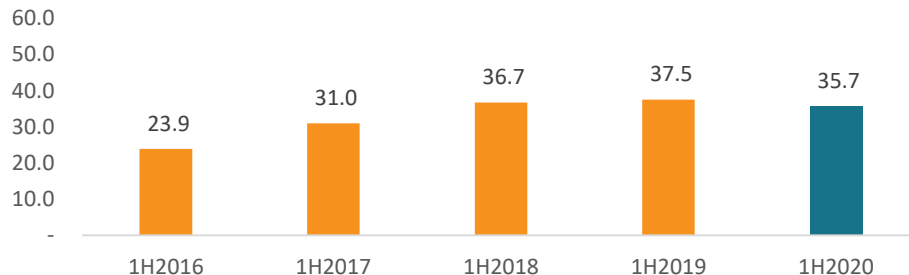
## Net Rental Income



↓ 5.1%

- Lower volumes on short-term rental in UK business in lead-up to election

## Fleet Management Costs

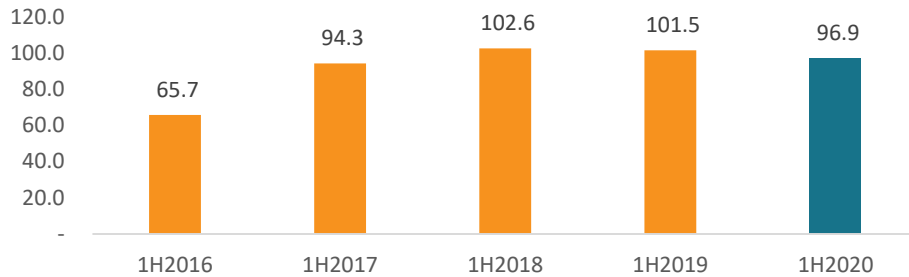


↓ 4.9%

- Maintenance costs lower due to reduction in the number of fully-maintained commercial vehicles

# Net Revenue Analysis

Net Revenue

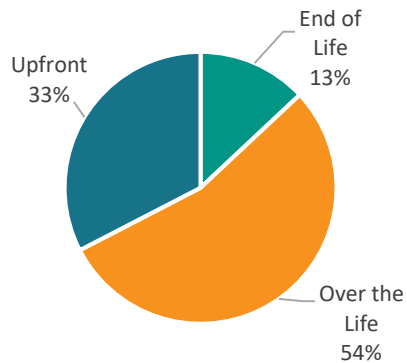


↓ 4.5%

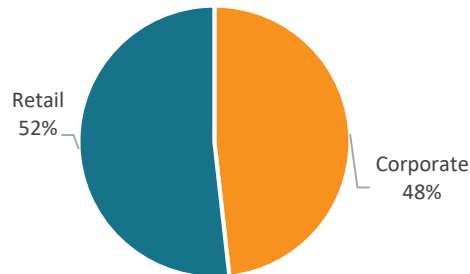
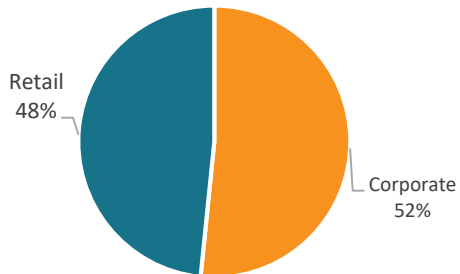
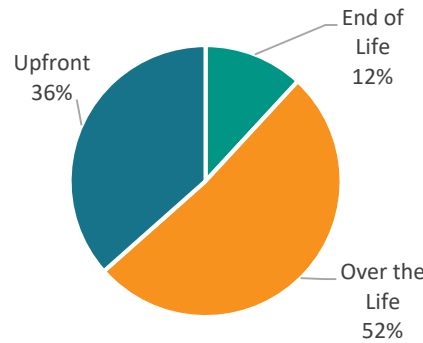
- Net Revenue = Gross Revenue less direct costs, being fleet management costs, vehicle cost of sale, short-term rental cost of sale and depreciation and interest on the lease portfolio

- The reduction in new deliveries and changes to the insurance product portfolio have reduced the proportion of up-front income in the business and shifted the weighting of revenue towards the Corporate business

1H20

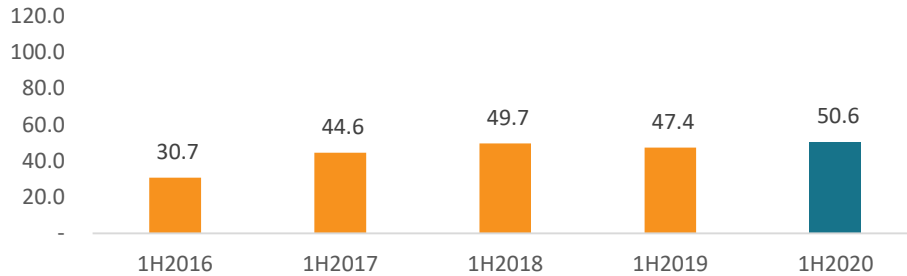


1H19



# Expense Analysis updated

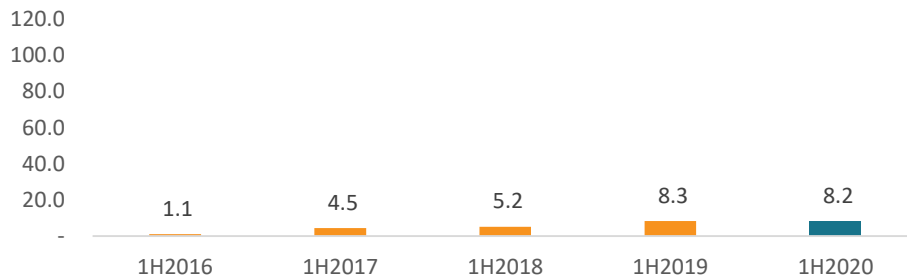
## Operating Expenses



↑ 6.8%

- Continued investment in technology and innovation
- Employment costs include \$600k in redundancy costs

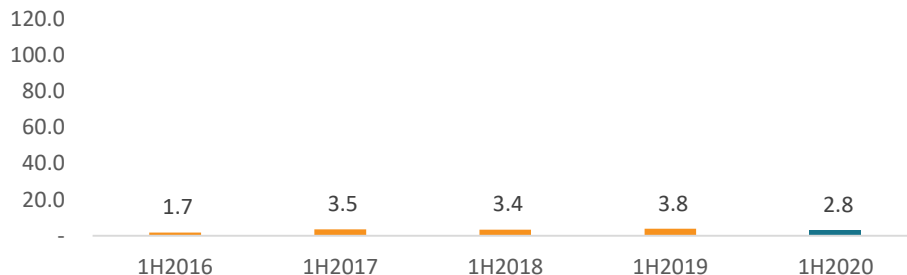
## Depreciation and Amortisation



↓ 1.2%

- Full impact of AASB16 now reflected in current period and pcpc

## Corporate Interest Cost



↓ 26.3%

- Improved terms on refinance of corporate debt
- Pcpc includes the accelerated amortisation of previously capitalised debt transaction costs



# Securitisation Update

- Immaterial financial impact in 1H
- RFP process for senior funding completed and senior funder selected - transaction documents at advanced stage
- Trustee, security trustee, back-up servicer and trust manager appointed
- Systems changes to cater for securitisation requirements in progress
- Mezzanine funder selection in progress
- Implementation of consumer credit bureau services and automated credit decisioning system for novated behind schedule
- Aiming to originate first lease Q4

## Balance Sheet, Dividend & Outlook

- Net corporate debt<sup>1</sup> – \$43.2m
- Pro forma net leverage ratio<sup>2</sup>
  - total leverage – 0.7x Statutory EBITDA (0.7x pcg)
  - corporate leverage – 0.4x Statutory EBITDA (0.3x pcg)
- Cash conversion – 106% of Statutory EBITDA
- Interim dividend of 6.943 cents per share fully franked
- Payout ratio of 65% of Reported NPATA

**FY20 Underlying NPAT range \$48m-\$51m**

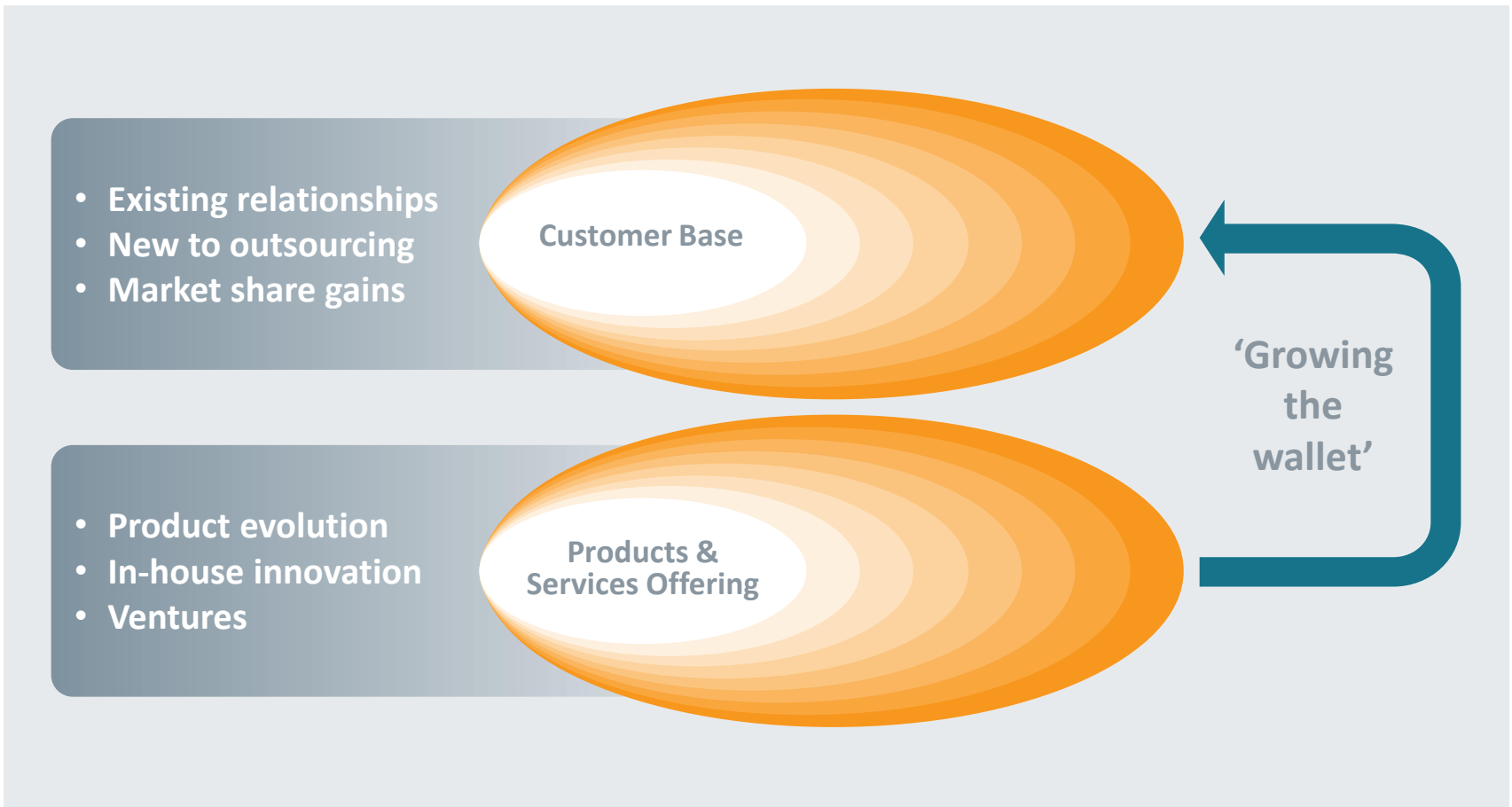
1: Net corporate debt excludes lease portfolio borrowings

2: Leverage ratio calculated on Pro forma EBITDA excluding significant non-recurring transactions

# Strategy & Operational Outlook

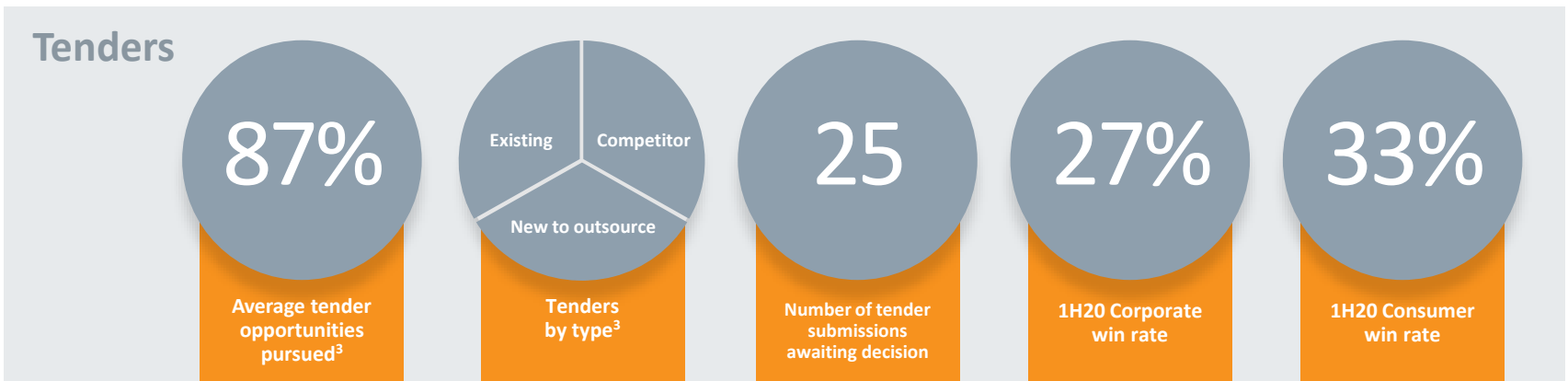
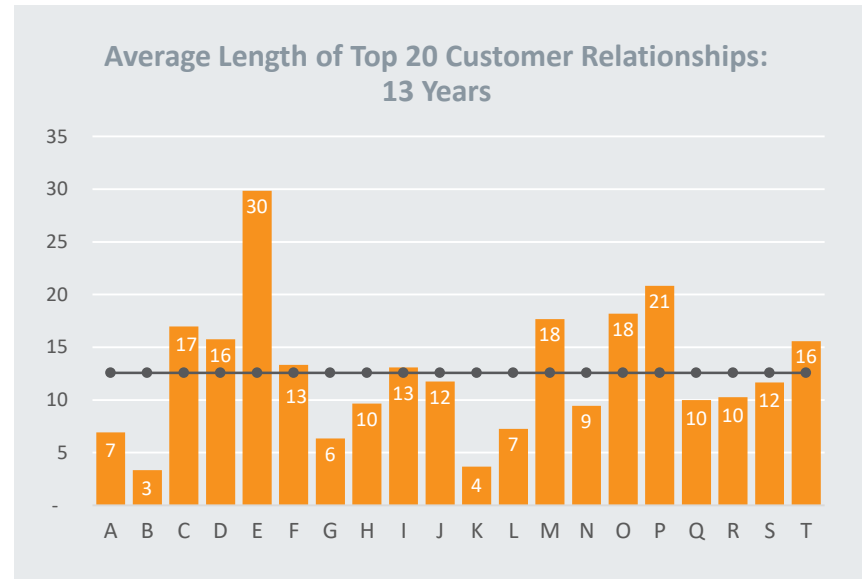


# Creating Business Growth in a New Environment



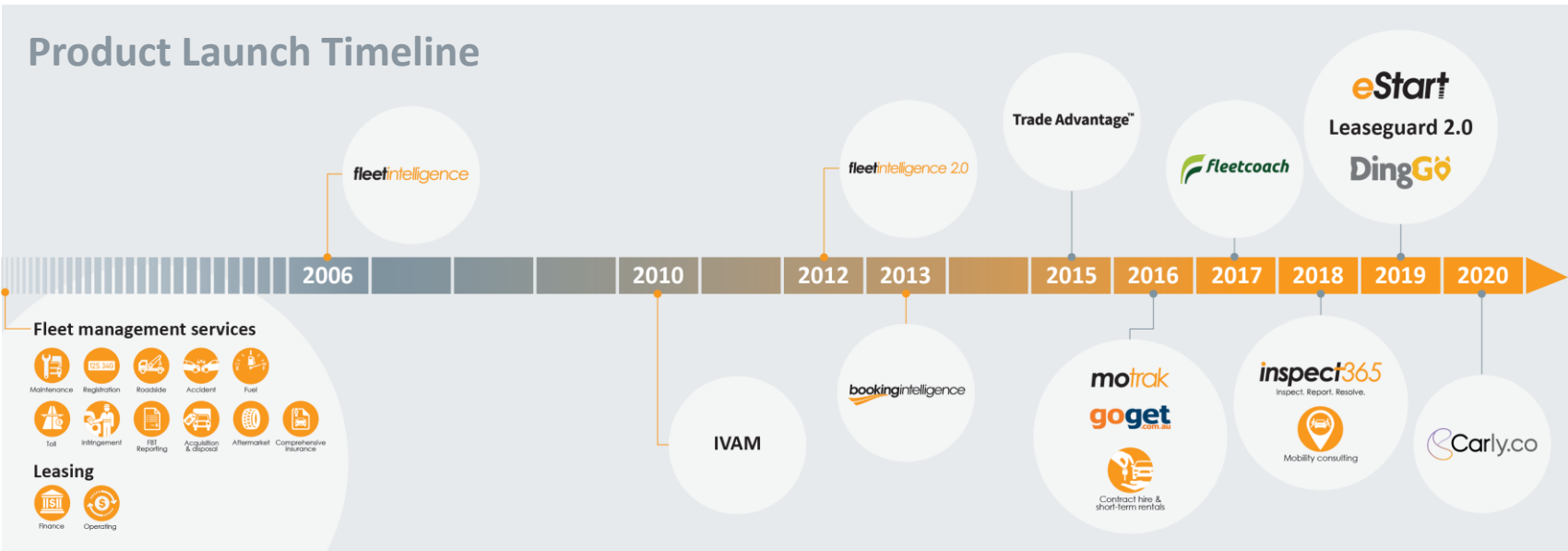
Growth built on strong customer base and increased product penetration

# Customer Base – Quality and Growth



1: consolidated basis  
 2: consolidated basis – employer accounts  
 3: CY2019 average across AU and NZ

# Products & Services Offering – Diversification and Take-up



# Summary

## Australia - Corporate

- Significant tender activity with several outcomes in 2H
- Strong pipeline continues

## Australia - Consumer

- Early improvement in conditions not maintained
- Processes in place to optimise conversion

## UK

- Temporary headwinds in RVs
- Ongoing business remains healthy
- Pipeline picking up

## NZ

- Largest win to-date
- Taking full advantage of stronger market presence

## Customers

- Exceptional relationships maintained and strengthened further through product penetration
- Healthy win rates

## Innovation

- Tech-driven product launches increasingly redefine SG Fleet industry position
- Proprietary value-add as key differentiator

## Inorganic growth

- Industry conditions continue to favour consolidation
- Continued discipline in pursuit of growth opportunities

## Outlook

- Progress with efforts to reduce external sensitivity
- Opportunity to take lead in rapidly changing industry

**FY20 Underlying NPAT range \$48m-\$51m**



# Questions

