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ASX announcement

SG Fleet Net Profit After Tax Tops Prospectus Forecast

- **Statutory NPAT $34.9m vs. $34.5m forecast - Pro Forma NPAT $35.4m vs. $34.9m forecast**
- **Pro forma PBT margin 32.5%**
- **Fully franked FY14 dividend of 4 cents per share**
- **FY15 prospectus forecast reaffirmed**

18 August 2014

SG Fleet Group Limited (SG Fleet **/** ASX:SGF) today reported its first financial results as a listed entity, delivering a pro forma[1] Net Profit After Tax (NPAT) of $35.4m for the period ending 30 June 2014 (FY14), 1.4% ahead of the forecast provided in the Company's Prospectus for its Initial Public Offering (IPO). SG Fleet listed on the Australian Securities Exchange on 4 March 2014.

SG Fleet's Board has declared a fully franked dividend of 4 cents per share for FY14.

Results Overview

The result was supported by a pro forma Profit Before Tax (PBT) margin of 32.5%. Return on equity[2] was a strong 27.4%, while earnings per share[3] reached 14.6 cents. As foreshadowed in the Prospectus, pro forma FY14 NPAT was $2.2m lower than in the previous year, predominantly as a result of the disruption in the novated business segment following the Labor Government Fringe Benefits Tax (FBT) proposal in July 2013.

Total revenue of $156.5 million for the period was marginally lower than forecast, but a better than anticipated expenses total, primarily due to lower fleet running costs, resulted in a PBT of $50.8m vs. $50.2m forecast.

Execution of strategy on track

In commenting on SG Fleet's inaugural results, Chief Executive Officer Robbie Blau emphasised that the Company had maintained its strategic focus throughout the financial period and the ASX listing process. "We have continued to bring new Government departments and corporates to the outsourced fleet management space, converted existing fleet management customers to users of full leasing services, and provided additional products and services to our customers," Mr Blau said.

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[1] Pro forma adjustments were made to the statutory results to primarily reflect the acquisitions that SG Fleet Group Limited has made since 1 July 2013 as if they had occurred as at 1 July 2013 and the full year impact of the operating and capital structure that is in place following completion of the Company's IPO as if it was in place as at 1 July 2013. In addition, certain other adjustments to eliminate non-recurring items have been made.

[2] Pro forma NPAT divided by total equity as at 30 June 2014.

[3] Pro forma NPAT divided by total number of shares as at 30 June 2014.

“We made significant headway during the year with the introduction of some of our market-leading innovation to major customers and their response has been very positive. This gives us opportunities to win new contracts by offering a better and in some cases unique service package. It also allows us to strengthen and deepen relationships with existing customers, while creating additional income opportunities,” he noted.

While last year’s FBT proposals impacted SG Fleet’s salary packaging business, which accounts for approximately a third of the Company’s revenue, Mr Blau noted that the current Government had made its stance with regard to FBT clear. “We have not seen anything that would suggest that the Government intends to change its position on the matter,” he said.

Overseas operations

In the United Kingdom, the Company is focusing on the development of its salary sacrifice and tool-of-trade customer base. SG Fleet’s salary sacrifice product is unique in the growing UK market and has been well received by corporates.

In New Zealand, significant growth in the new business opportunities pipeline occurred during the year. The Company is seeking to make the most of its relationships with major financial institutions to convert these opportunities into ongoing contracts.

Outlook

Mr Blau pointed out that longer term, the outsourced fleet management sector is expected to continue to grow. “A significant factor in that process would be the adoption of the Federal approach to outsourcing at the State level. While these factors will be at play for the industry as a whole, we will continue to set ourselves apart by the quality of our products and service offering. We already have a technological edge and in the context of a potential and existing customer base that is becoming increasingly sophisticated in terms of demands, continuous innovation will further sharpen our competitive edge,” he said.

Conclusion

“The positive performance relative to Prospectus forecasts was achieved despite the disruption in the novated segment, periods of muted corporate sentiment in the face of an uncertain economic climate, and the temporary slowdown in business activity around the Budget period,” Mr Blau noted.

“We have taken great confidence from how well the business has tracked across all aspects in FY14 against this backdrop and we reiterate our commitment to the FY15 forecasts. We will target NPAT growth of over 10%, to $39.2m for this financial year, supported by an expansion in margins.”

“The Company remains in a strong financial position and we believe there is significant scope for further progress,” Mr Blau concluded.

For further information, please contact:

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