SG Fleet Group

Integrated Mobility

1H2019 RESULTS

INVESTOR PRESENTATION

19 FEBRUARY 2019

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Overview

Financial Results

NPAT
$29.4m
(-6.7%)

Total revenue
$248.7m
(-1.9%)

EPS 11.33cps
(-8.0%)

Interim Dividend

8.169 cps fully franked

Payout ratio maintained at 65% of NPATA

Balance Sheet

Corporate leverage 0.3x

Corporate business performing well

Consumer conditions challenging

Significant profitability progress

Strong opportunities pipeline

Strategy and Operational Outlook

Targeting continuous customer growth and services expansion across the Group

Proactively dealing with challenges in Consumer

Ongoing efficiency and innovation drive

Continued discipline in pursuit of inorganic growth opportunities

Corporate business strong – External factors impact Consumer

Operational Review - AUS

Environment

Economy

- Business conditions stable
  - steady corporate and government vehicle pool
- Strong employment figures not reflected in wage or spending growth
- Housing downturn impacting consumer sentiment and retail sales, particularly in auto sales / personal & household goods
  - private new vehicle sales down 11.5% in 1HFY19

Operating Environment

- Industry remains competitive
- Residual values strong
  - supported by slowing retail market and supply shortages as result of weather events
- Impact from financial services reviews

Operational Review - AUS

Corporate

Customers

- New wins across wide range of sectors, including local government
- Targeted approach of SMB segment yielding good results
- Multi-year extensions of major government and private sector contracts

Products

- Continued growth in aftermarket products
  - Inspect365 launch successful – demand growing
  - increased traction for car sharing product with corporates and government
- Mobility policy and EV planning consulting to widening range of private and public sector customers

Corporate business performing well

Operational Review - AUS

Consumer

Business Activity

- Coinciding timing of multiple temporary external factors impacts conversion rates
  - cyclical slump in new car demand driven by perceived negative wealth effect
  - lengthier processing times for bank credit approvals as consequence of Royal Commission review
- Competitive pressure on finance margins

Customers

- Strong retention of employers
- Conversion impacted by poor consumer sentiment and process delays
  - 1H new sales down 4.1% on pcp
  - extensions remain at elevated level

Multiple external factors impact performance

Operational Review - UK

Environment

- UK economy in state of flux, with limited growth
- Australian HQ and global presence minimises customer Brexit concerns
- WLTP supply impact normalising – extensions continue
- Outlook strong for integrated business and brand

Business Activity

- Successful introduction of personal contract hire schemes with existing and new customers
- Continued growth in government sector
- Growing number of short-term rental opportunities
- Secured order for significant number of EVs as part of vehicle electrification project for large delivery company

Significant profitability progress

Operational Review - NZ

Environment

- Economic climate neutral
- 2018 record year for registrations
- Temporary lull in government tender activity in Q2
- Continued trend from fleet management only services to funded model

Business Activity

- New wins continue
- Trend from shared customers to sole supply
- Contract extensions and new customers in government sector
- Addition of higher end services

Strong opportunities pipeline

FINANCIAL RESULTS

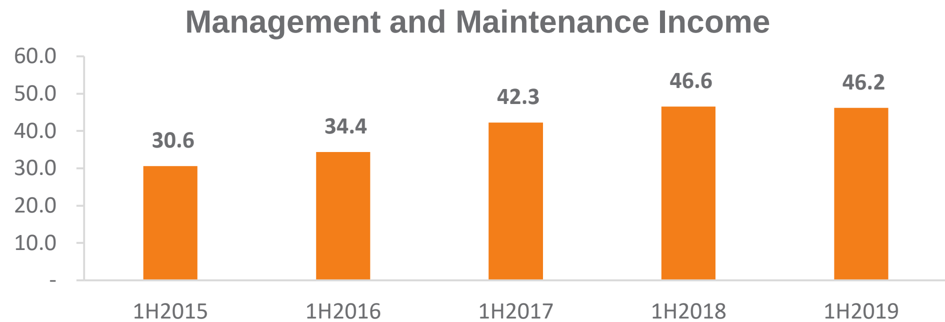
Financial Summary

A$m	1H2019	1H2018	Variance
Revenue	248.7	253.5	(1.9%)
Cost of Revenue	(147.2)	(150.9)	(2.5%)
Net Revenue	**101.5**	**102.6**	**(1.1%)**
Operating Expenses	(47.4)	(49.7)	(4.6%)
Operating EBITDA	**54.1**	**52.9**	**2.2%**
Depreciation and amortisation expense	(8.3)	(5.2)	59.6%
Operating Income	**45.8**	**47.7**	**(4.0%)**
Interest on Corporate Debt	(3.8)	(3.4)	11.8%
Underlying Net Profit Before Income Tax	**42.0**	**44.3**	**(5.2%)**
Tax	(12.6)	(12.8)	(1.4%)
Underlying Net Profit After Tax[1]	**29.4**	**31.5**	**(6.7%)**
One Off Cost	-	-	-
Reported Net Profit After Tax	**29.4**	**31.5**	**(6.7%)**
Amortisation of Intangibles	3.5	3.2	9.4%
Underlying NPATA[2]	**32.9**	**34.7**	**(5.2%)**
Underlying EPS (cents)	11.33	12.31	(8.0%)
Reported EPS (cents)	11.33	12.31	(8.0%)
Underlying Cash EPS (cents)	12.69	13.55	(6.4%)

1: Underlying Net Profit After Tax = Net Profit After Tax before acquisition-related expenses incurred during the reported period.
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.

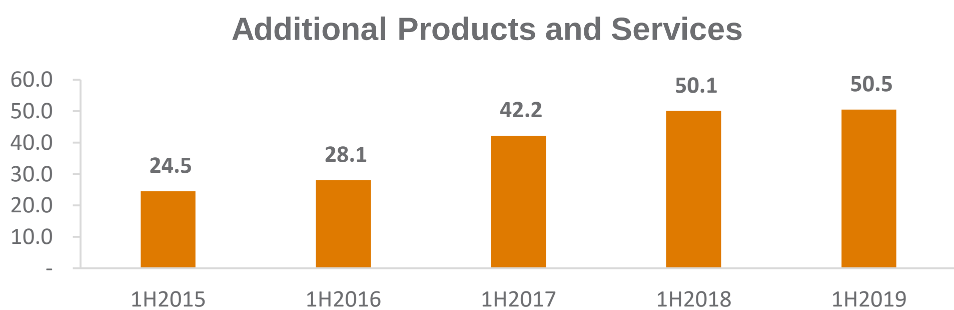
- AU private new vehicle sales down 11.5% vs. pcp
  - novated sales down 4.1% vs. pcp
- End of Lease results strong
- Net P&L impact from new accounting standards immaterial
- EPS impacted by higher number of shares in issue
  - impact of DRP
  - vesting of share options

Revenue - Analysis



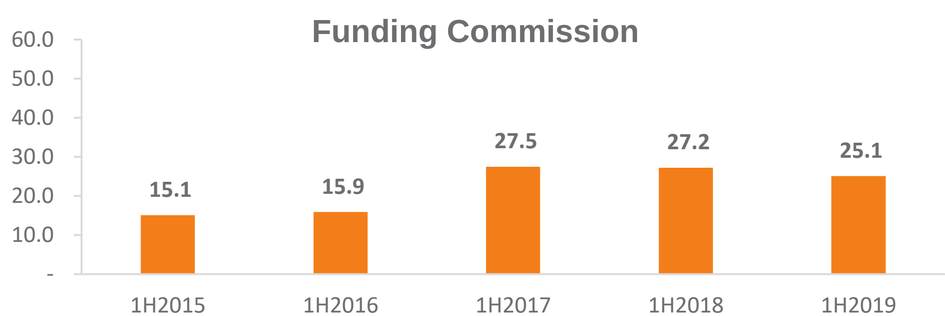
↓ 0.9%

- Impact of loss of Western Australia Government contract
- Greater deferral of maintenance income



↑ 0.8%

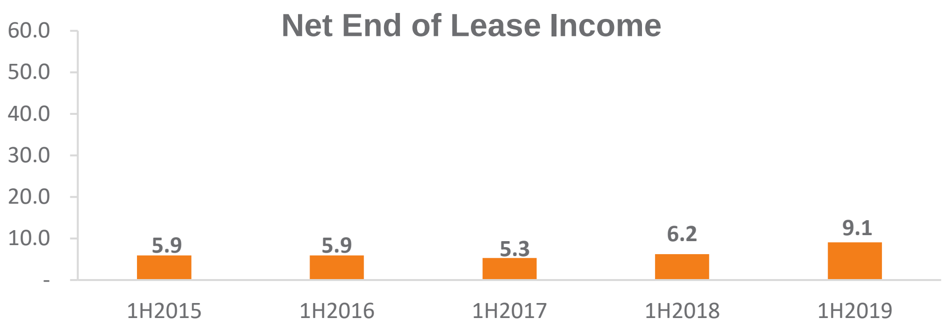
- Greater penetration of accessories on lower volumes
- Lower margins on warranty products
- Review of add-on insurance product portfolio



↓ 7.7%

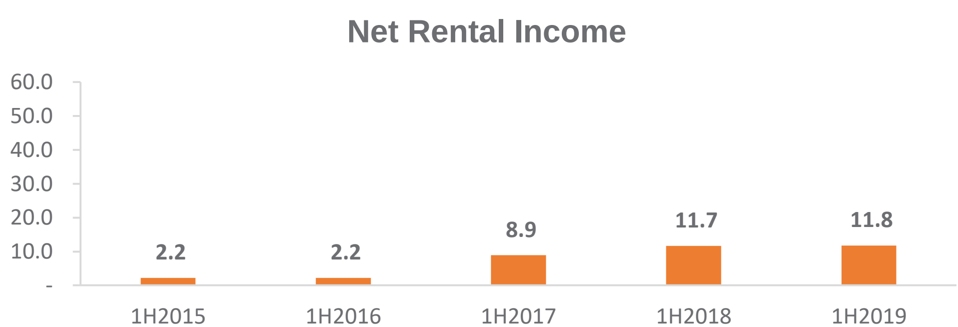
- Impact of soft vehicle sales in Australia, especially private sector sales
- Lower novated margins
- Credit approval process more arduous
- Extensions remain elevated

Revenue - Analysis



↑ 46.8%

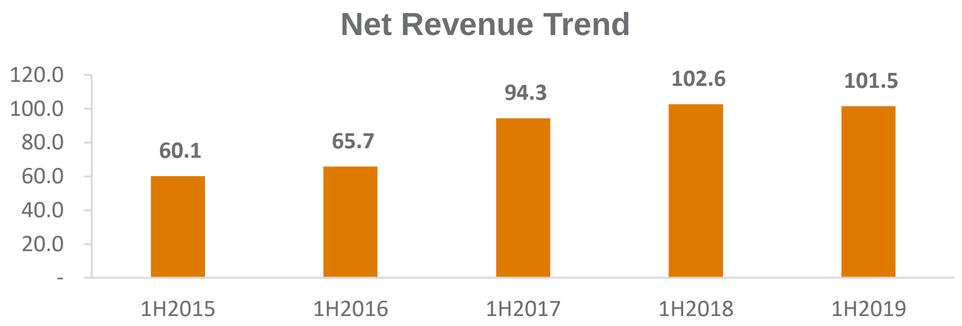
- End of Lease Income now grossed up due to AASB15 - comparatives restated - no net profit impact
- Good product mix and strong market
- Commercial vehicles contributed significantly
- TradeAdvantage margins improved



↑ 0.9%

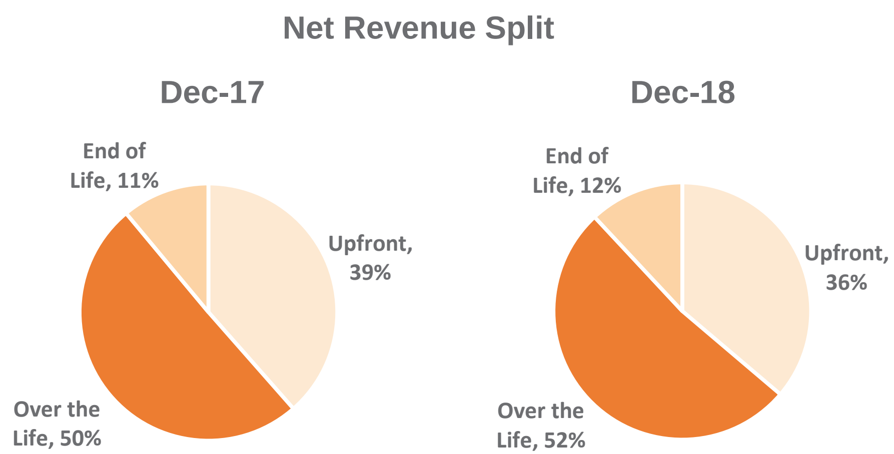
- Net Rental Income = Rental Income after deducting depreciation and interest on the lease portfolio
- Consistent on-balance sheet lease portfolio vs. pcp

Net Revenue - Analysis



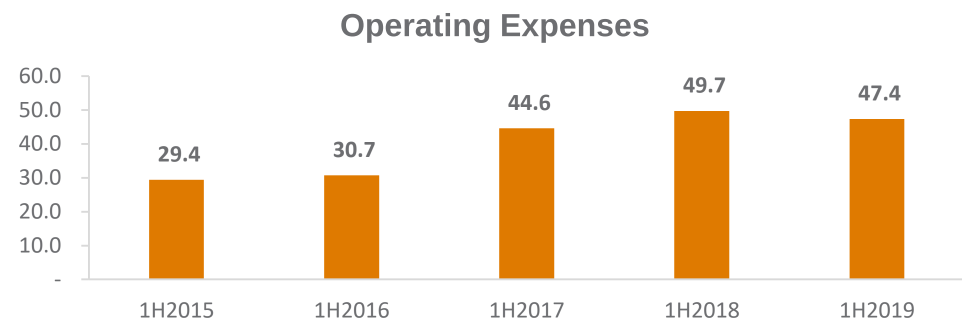
⬇ 1.1%

- Net Revenue = Gross Revenue less direct costs, being: fleet management costs, vehicle cost of sale, and depreciation and interest on the lease portfolio
- Offsetting benefits of residual value counter-cyclicality



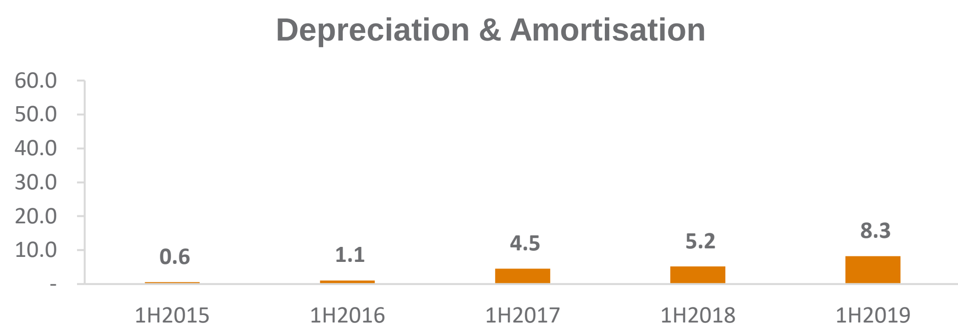
- Over the life and End of life income now 64% of net revenue, up from 61%
- Strategic objective to increase the percentage of Over the Life revenue through greater diversification of funding and product range, such as insurance

Expense - Analysis



↓ 4.6%

- Lower employment costs vs. pcp
- Lower occupancy costs due to impact of AASB16 – comparatives not restated
- Continued investment in technology & innovation



↑ 59.6%

- Growth largely due to impact of AASB16 - depreciation of $11.1m of capitalised right-of-use assets
- Depreciation now commenced on capex incurred to migrate UK acquisitions to Miles system

↑ 11.8%

- Impact of AASB16 - interest expense on $11.1m of capitalised right-of-use assets
- Accelerated amortisation of previously capitalised debt transaction costs

Balance Sheet, Cash Flow and Debt

- Net corporate debt[1] – $36.8m ($68.8m pcp)

- Pro forma net leverage ratio[2]
  - total leverage – 0.7x Statutory EBITDA (0.9x pcp)
  - corporate leverage – 0.3x Statutory EBITDA (0.5x pcp)

- Corporate debt facility refinanced
  - 4-year term
  - broader syndicate
  - improved terms

- Cash conversion – 77.0% of Statutory EBITDA (103.9% pcp)
  - 30 June 2018 cash balance unusually high – impacted YTD cash generation

1: Net corporate debt excludes lease portfolio borrowings

2: Leverage ratio calculated on Pro forma EBITDA excluding acquisition-related expenses

OPERATIONAL OUTLOOK

Group – Outlook

GROUP-WIDE — Continuous customer growth and services expansion

CONSUMER — Proactively dealing with challenging environment

EFFICIENCY — Ongoing, wide-ranging efficiency drive and increased cost focus

INNOVATION — Significant pipeline of new product innovation to come to market

Ongoing operational improvement programs across the Group

Australia – Corporate

Opportunities

- Strong pipeline of tender opportunities across private and public sector

Products

- Increasing focus on safety
  - Inspect365: strong interest as CoR legislation has come into force
  - online driver safety platform
- Bookingintelligence / Fleetintelligence
  - continued growth in popularity and diversity of use cases – Group-wide roll-out
- Mobility consulting services increasingly in demand
  - conducting mobility policy trials
  - multiple requests from private and public sector to assist with EV policy development and implementation planning

Continuous customer growth and services expansion

Australia – Consumer

Environment

- 1H external factors still present
- Change dependent on stabilisation of property market and consumer sentiment, and normalisation of credit approval processes

Customers

- Number of large potential customers in decision mode – further prospects

Products

- Full review of add-on insurance products to be completed in 2H19
- Further improvement of existing revenue generators
  - TradeAdvantage processes
- Marketing new products in novated and retail
  - car buying services and personal mobility solutions
- Greater penetration of accessories range

Proactively dealing with challenging environment

Group – Efficiency

Systems

- Best practice adoption via continued platform consolidation across all businesses / regions

Automation

- Enhanced efficiency / accuracy via robotic fuel card processing
- Integrated lease settlement process
- Digital signatures

Process Improvement

- Upgraded infringement processing system
- Maintenance process review
  - significant reduction in call wait times, improved handling times

Cost Reduction

- Increased focus on expense line

Ongoing, wide-ranging efficiency drive

Group – Innovation

Innovation Team

- Dedicated team across AUS/UK/NZ
  - Analyse how technology impacts industry
  - Identify potential applications for disruptive technologies

Recent Introductions

- Digitisation of manual used vehicle tendering process
  - ca. 85% of sales through online auctions
- Inspect365
- UK driver portal
- Fleetintelligence analytics

Upcoming Launches

- One-stop EV readiness and zero emission fleet solutions
  - vehicle sourcing, charging infrastructure and transition planning, financing options
- DingGo repairer quotation portal partnership
- New driver app

Significant pipeline of new product innovation to come to market

Summary

Group

- Targeting continuous customer growth and services expansion across all businesses and geographies

Australia - Corporate

- Business performing well
- Strong pipeline across corporate and government

Australia - Consumer

- External factors slowed conversion and compressed margins

UK

- Significant profitability progress

NZ

- Strong opportunities pipeline

Efficiency drive

- Automation/digitisation and process improvements
- Enhanced cost focus

Innovation

- Recent launches attract strong interest
- Significant pipeline of products to come to market

Inorganic growth

- Continued discipline in pursuit of inorganic growth opportunities

Outlook

- Consumer environment to remain factor in 2H
- 2H stronger than 1H

QUESTIONS