SG Fleet Group
Integrated Mobility

ASX Announcement

SG Fleet reports $36.8m profit as continued good performance of Corporate business partially offsets COVID-19 crisis impact

- **FY20 Reported NPAT $36.8m / Underlying NPATA $43.7m**
- **Fully franked final dividend of 3.053cps / FY20 total 9.996cps**
- **Growth in fleet in first and second half**
- **Business portfolio provides balance**

18 August 2020

SG Fleet Group Limited ('SG Fleet' / ASX: SGF) has reported a Net Profit After Tax ('NPAT') of $36.8 million for the 2020 financial year ('FY20'). Underlying NPATA, which excludes amortisation of intangible assets, was $43.7 million. Reported NPAT in the prior corresponding period was $60.5 million.

Total net revenue for the full financial year was $172.3 million, 17.6% lower than in the previous year. The Company estimates that the impact of the COVID-19 crisis in the final quarter of the financial year resulted in a 42% reduction in net revenue when compared to the previous corresponding quarter.

Reported Earnings Per Share was 14.01 cents. SG Fleet's Board has declared a fully franked final dividend of 3.053 cents per share[1], bringing the total dividend for FY20 to 9.996 cents per share.

Focus on employees and customers in unprecedented environment

SG Fleet's Chief Executive Officer, Robbie Blau, acknowledged that the challenges in the general environment in the second half of the financial year were truly unprecedented. "This has been a unique reporting period for us and for many others," Mr Blau said. "Our immediate focus has of course been to ensure the wellbeing of our employees and our customers as the COVID-19 situation emerged. We all pulled together to maintain service quality and continuity, and our businesses remained operational throughout."

Mr Blau noted that the good showing of the Group's tool-of-trade business undoubtedly helped stabilise performance. "We have remained on a strong footing during the period and did not face a cashflow crisis at any stage. This was very much the consequence of the quality of our revenue profile and our ability to provide our services with minimal disruption," Mr Blau said.

---

[1] Record date 15 September 2020, Payment date 6 October 2020

Higher levels of lease extensions where seen across all of the Group's geographies, as customers opted to delay entering into new leases and the Company managed the volume of returning vehicles. Disposal volumes declined as activity was reduced in Australia, and temporarily halted in the UK and New Zealand. In tandem, average disposal returns declined in the immediate aftermath of the lockdown measures. Both volumes and returns significantly improved towards period end.

Australia

For SG Fleet's Corporate business, the second half continued to see a healthy opportunities pipeline and a number of significant customer wins, across a range of industries. Third quarter funded deliveries, including extensions, grew on the previous corresponding period.

Activity levels were largely maintained in the fourth quarter and new opportunities continued to emerge. In certain segments, requirements resulting from the COVID-19 crisis drove strong demand for extra vehicles. The business also launched a campaign to help address its customers' most pressing needs as they tackled the impact of the emerging situation. Overall, funded Corporate deliveries, including extensions, were up 9.2% for the quarter compared to the previous corresponding period.

Mr Blau commented: "The fourth quarter has been a real revelation for our tool-of-trade business in terms of the appreciation shown by our customers for the value we add for them. We were able to apply our expertise to address the unique challenges they were facing."

In the Consumer business, weakness in private new car sales continued at the start of the calendar year and inevitably impacted novated new business deals. This was compounded by COVID-19 and enquiry levels started to decline sharply from mid-March. At the same time, the business mobilised to support drivers whose employment was impacted by the crisis by arranging lease alternatives or payment holidays where possible. Enquiry levels improved markedly in June.

Throughout the period, companies continued to tender their business and SG Fleet was able to win the majority of tenders pursued, both in the private and public sector. Patchy consumer demand and the unavailability of stock resulted in a decline of 33.6% in novated deliveries, including extensions, for the fourth quarter compared to the previous corresponding period.

United Kingdom

In the UK, overall confidence continued to improve at the start of the half year, following the elections. A significant level of new opportunities emerged and were successfully pursued, and the penetration of products within existing accounts grew further. The business also launched campaigns targeted at the SME sector and the Crown Commercial Services framework.

Following the announcement of the COVID-19 lockdown at the end of March, new vehicle registrations declined sharply, with some signs of a return to normal emerging in early June. Extension levels increased and the second-hand vehicle market briefly came to a standstill. During June, volumes and prices started to recover and by the end of the month, the used vehicle market was performing strongly.

Throughout the crisis period, new opportunities continued to materialise. The business won its largest ever fleet management contract and a significant delivery vehicle order during the quarter and closed the period with an exceptionally strong order bank.

New Zealand

Activity levels in the third quarter in New Zealand were in line with the previous reported period. The Northpower contract, won last year, went live and the business had a further large win in the utility sector.

In the fourth quarter, new registrations came to a halt by mid-April and the business temporarily halted disposals. By June, signs of a recovery emerged. Despite the crisis, activity levels remained stable, helped by the business' strong presence in the public sector. Sale and leasebacks in particular were in high demand. Overall, tender activity was strong, and the business is seeing the highest level of new tender opportunities for a number of years.

"The New Zealand operations are now back to business-as-usual, with all staff having returned to the office," Mr Blau noted.

Customer and product diversification continues

Across the Group, SG Fleet continued to make progress in terms of new business development and product penetration.

Tender activity levels increased in the second half, with the Company improving its success rate further. A large number of unchallenged contract renewals and extensions were also signed.

The continued diversification of SG Fleet's products and services range was again reflected in the customer take-up percentages, with the majority of larger customers now sourcing three or more products from the Company.

Highlights of the period include the success of the Company's newly launched mini-leases and the performance of its start-up investments. The Carly vehicle subscription product achieved good growth and DingGo created a fleet version of its repairer portal.

"In combination with our car sharing solution and of course, the more standard lease product, we are effectively building a capability to provide greater flexibility for customers as their requirements become more variable, from short ride to multi-year mobility solutions," Mr Blau noted. "We are working towards providing a convenient and on-demand service to cater for whatever specific mobility requirement our customers may have at any given point in time," he said.

Position strengthened further

Mr Blau noted that a number of factors were driving a continued improvement in the environment since June. "We have seen stronger disposal returns as the second-hand market rebounds in line with renewed interest in personal vehicles. While we are facing some supply disruption, deliveries for the large wins achieved in the past few months will be made during the current period and we see no sign of corporate demand waning. Clearly, the COVID-19 crisis is making a lot of organisations think about their mobility management approach, and some will feel the time has come to hand over that management to a specialist, outsourced provider to be able to extract greater efficiencies," Mr Blau said.

"On the consumer front in Australia, the country is showing signs of cautious optimism and growth, however Victoria has seen a decrease in appetite. Meanwhile, opportunities continue to emerge at a rapid pace in the Corporate space in the UK and New Zealand," he said.

Mr Blau concluded: "Longer term, I believe that being present for our customers and being able to really help and demonstrate value-add in a challenging environment has given us a massive reputational boost in our markets. There is no doubt we are now in a much stronger position than six months ago, but caution is still required for the time being."

This announcement was authorised for release by the Company Secretary of SG Fleet Group Limited.

For further information, please contact:

Yves Noldus
Corporate Services & Investor Relations Executive
SG Fleet Group Limited
Tel: 02 9494 1095 / 0401 416 686