

SG Fleet Reports Strong Profit Growth and Declares Special Dividend

- **Reported NPAT \$89.7m (up 6.7%)**
- **Underlying NPAT up 19.2%**
- **Reported EPS 26.23cps (up 6.8%)**
- **Special dividend of 15cps / FY24 total dividend 33.93cps**
- **Continued strong growth in orders and deliveries**
- **Return to normalised environment expected to begin, followed by LeasePlan synergy realisation**

27 August 2024

SG Fleet Group Limited ('SG Fleet' / 'the Company' / ASX: SGF) has reported a Net Profit After Tax ('NPAT') of \$89.7 million for the full year period ended 30 June 2024 ('FY24'), up 6.7% on the prior corresponding period ('FY23'). Underlying NPAT was up 19.2%.

Total net revenue for the period was \$390.1 million, up 11.4% on FY23. Reported Earnings Per Share ('EPS') amounted to 26.23 cents, up 6.8% on FY23. Underlying EPS was up 19.2%. The Company's Board has declared a fully franked special dividend of 15 cents per share in addition to a final dividend of 9.33 cents per share¹, bringing the total dividend for the financial year to 33.93 cents per share, up 109.6% on FY23.

Exceptional order and delivery levels

SG Fleet's Chief Executive Officer, Robbie Blau, commented that the growth momentum in all of the Company's markets and channels was maintained throughout the year. "Record orders were achieved in both the Corporate and the Novated channel, and, combined with a gradual improvement in supply, we registered exceptional delivery volumes," Mr Blau said.

"This meant that we were increasingly able to benefit from what has been a long, uninterrupted sequence of financial periods with strong order growth, achieving marked progress in all revenue lines, with the exception of the anticipated reduction in net vehicle risk income. This again demonstrated the resilience of our business model and revenue profile," he noted.

The Corporate and Novated funded fleets grew materially as a result of the increased deliveries. The order pipeline reduced partially, but in both channels remains 3.6-times normal levels. As supply and deliveries improved, a drop-off in used vehicle values was anticipated, but this did not occur as early or as materially as expected.

¹ Record date 11 September 2024, Payment date 25 September 2024

Australia

The new business pipeline in the Corporate channel grew throughout the period, with tender activity reaching levels not seen for several years. The high level of prospecting activity delivered a significant number of new customer wins during the year. Competition remained largely rational.

Continued strong interest in SG Fleet's additional products and services offering helped the Company's competitive positioning, further enhancing its ability to win tenders and attract new customers to outsourcing. It also delivered additional revenue from existing accounts.

"In the 2020 financial year, about 42% of our customers took two or more of our products. By the 2024 financial year, this has become the norm in the SG Fleet book, with 85% of customers taking multiple products," Mr Blau noted.

The continued strong performance of the Novated channel during the full 2024 financial period confirmed novated leasing remained front-of-mind as a product for both drivers and employers. The fringe benefits tax incentive in the case of electric vehicles and plug-in hybrids supported demand further, although increased driver interest was seen across all vehicle types. Drivers also continued to take up a greater number of additional products and services.

"The fortunes of our Novated channel mirrored those of the Corporate channel: strong tender activity, a significant number of new employer wins, record leads and order levels from drivers, and significant potential for more progress," Mr Blau said.

New Zealand

Although subdued economic conditions in New Zealand were reflected in slowing vehicle registrations during the year, particularly in the passenger segment, these conditions had little impact on SG Fleet's local operations. New business development and tender activity remained strong throughout the period; however competition became more pointed as one provider adopted fairly aggressive pricing practices.

As in previous periods, the business was successful in retaining existing customers and picked up additional wins across a range of sectors, in some cases as part of trans-Tasman arrangements in cooperation with SG Fleet Australia. The Company's established presence in the government sector allowed it to present multiple additional solutions to existing customers in that segment, including sale & leasebacks.

United Kingdom

The economic environment in the UK improved as the financial year progressed, with some of the previously seen cost pressures easing. In line with this, business sentiment improved, and the Company continued to receive a steady stream of new opportunities. SG Fleet maintained healthy win rates across a range of sectors and registered a number of corporate and Novalease wins. At the same time, a focus on existing accounts led to several contract extensions and the conversion of panel arrangements to sole supply contracts. Upsell within existing customers continued at a steady pace, with short-term hire solutions in particular attracting strong interest.

"The 2024 financial year has been a period in which our UK business has firmly established itself as a leader in its market segment, building an excellent service proposition particularly suited to its target segment. This was duly recognised by several industry awards. While the business has some larger contracts in its book, it is customers with medium-sized fleets that most value our diversified, bespoke service. They continued to be very receptive to the

Company's tool-of-trade solution and the Novalease product, the features of which remain unique in this market," Mr Blau said.

System migration and digitisation process

During the period, significant progress was made with the systems migration and the digitisation of key processes in the Company's operations. The two existing SG Fleet platforms in the Novated channel were successfully brought together and two out of three phases were completed for the LeasePlan New Zealand system migration, with the third and final one scheduled for September 2024 to complete the process. Additional resources have now been deployed to the LeasePlan Australia system migration, the final stage of the integration.

"Completion of the move to a single system, combined with greater process digitisation across the business, will facilitate the extraction of all synergies from the LeasePlan acquisition, significantly enhance efficiency, and lower our cost-to-serve. The acquisition's cost synergies are expected to be realised once the integration is completed and revenue synergies will be continuous. Both will become permanently embedded in our business," Mr Blau commented.

Outlook

"The 2024 financial year has been a period in which SG Fleet has continued to make strong progress, culminating in an exceptional financial performance. We were able to reap the benefits of multiple periods of strong order growth as the delivery environment improved. The revenue generated by the increased deliveries easily offset the anticipated adjustment in end of lease disposal income," Mr Blau commented.

SG Fleet is providing earnings guidance in light of the anticipated impact of a number of variables during the 2025 financial year. These variables include a projected increase in interest on corporate debt, and a temporary increase in the Company's technology spend in the lead-up to the final phase of the LeasePlan system migration program. Cost synergies of the LeasePlan acquisition will be realised once this phase is completed. The Company has re-affirmed approximately \$20m in pre-tax synergies per annum following the system migration of the LeasePlan businesses.

"While we are confident earnings will remain strong, we also expect movements in our financial profile as our operating environment gradually returns to a more stable condition after a period in which external factors such as the supply disruption and its impact on used values led to an exceptional performance in some of our revenue lines. Taking into account all of these factors, we expect to deliver an Underlying NPATA of between \$88m and \$95m for the 2025 financial year," Mr Blau noted.

This announcement was approved for release by Tawanda Mutengwa, Company Secretary of SG Fleet Group Limited.

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