

ASX Announcement

SG Fleet reports 39% increase in profit as progress continues in challenging environment

- Reported NPAT \$60.7m (up 39.0%)
- Underlying NPAT \$71.9m (up 39.4%) Underlying EPS 21.50cps (up 12.4%)
- FY22 total dividend 15.13cps (up 20.2%)
- LeasePlan integration delivering clear benefits
- Supply and used vehicle value environment unchanged

16 August 2022

SG Fleet Group Limited ('SG Fleet' *I* 'the Company' / ASX: SGF) has reported a Net Profit After Tax ('NPAT') of \$60.7 million for the twelve-month period ended 30 June 2022 ('FY22'), a 39.0% improvement on the prior corresponding period ('FY21'). Underlying NPAT of \$71.9 million includes a \$19.3 million¹ ten-month contribution from the LeasePlan Australia and New Zealand businesses ('LeasePlan'), which were acquired on 1 September 2021.

Total net revenue for the full year, including a \$98.5 million contribution from LeasePlan, was \$313.0 million, up 58.0% on FY21. Underlying Earnings Per Share amounted to 21.50 cents, up 12.4% on FY21. SG Fleet's Board has declared a fully franked final dividend of 6.81 cents per share², bringing total dividends for FY22 to 15.13 cents per share, up 20.2% on FY21.

Enhanced potential realised

SG Fleet's Chief Executive Officer, Robbie Blau, commented that while the current environment continued to produce unusual challenges, the Company again made clear progress.

"All of our businesses have maintained the momentum built up early on in the COVID-19 period. While the Corporate channels have been performing well throughout, we are now also seeing further growth in enquiry levels in the Novated channel," Mr Blau said.

Across all of the Company's geographies, the Corporate and the Novated channels continued to face the challenge of delivering what remained limited supply against a growing order pipeline. As a consequence, deliveries have been pushed out further across the board.

Commenting on the LeasePlan acquisition, Mr Blau noted: "The integration is going really well and is already delivering very tangible outcomes that are supporting our performance. The combined entity is delivering strongly on the potential we have created by the bringing together of two exceptional businesses. Obviously, we will continue to look at ways to accelerate the integration process," Mr Blau said.

Australia

The operating environment in the Australian Corporate channel remained largely unchanged from the first half of the financial year. The channel saw a very significant stream of new opportunities coming to market and maintained its momentum from previous periods.

¹ Management estimate

² Record date 25 August 2022, payment date 8 September 2022

Tender win rates remained stable at a high level. During the period, amongst many wins were a major double tool-of-trade and novated tender in the utilities sector. Additional sale and leaseback opportunities from both new and existing customers were generated as a result of a continued cash flow management focus. In the existing customer book, retention levels were again very strong.

An increasing environmental focus drove interest in electric vehicles as a potential decarbonisation avenue. During the period, the business helped a major financial sector customer switch a quarter of its significant fleet to hybrids and was closely involved in the installation of charging infrastructure to support EV transitions. Interest in the eStart service continued to strengthen in line with this and take-up of the Bookingintelligence asset booking solution and the DingGo repairer platform service grew across the customer book.

"Customers acquired as part of the LeasePlan deal responded very well to the SG Fleet product set and our innovation initiatives," Mr Blau noted.

Customer enquiries in the Novated channel reached their highest levels in almost four years and a significant number of new accounts came on board during the half. Progress in the channel has been helped by extending best-practice lead generation and employee engagement methodologies into the teams servicing existing LeasePlan customers.

Mr Blau said: "For both the Corporate and the Novated channel, the supply situation has meant that delivering vehicles against the orders received is still our greatest challenge. As a consequence, the combined SG Fleet corporate and novated pipeline grew throughout the period and given the strong demand we are seeing, we do not expect the pipeline to shrink materially anytime soon."

New Zealand

Tender activity in New Zealand continued its rebound after the COVID-19 lockdown lull. Demand, which has seen a particular focus on mobility technology and EVs, is expected to recover further over coming periods.

"Our combined business in New Zealand has been very successful in retaining existing corporate and government accounts and adding new business in a number of industries. Progress in the SME segment has been particularly pleasing," Mr Blau said.

As was the case in Australia, the LeasePlan customer base in New Zealand responded well to SG Fleet's product and services offering. Supply issues at times remained an obstacle for the business.

United Kingdom

The UK business operated in a largely unchanged environment, with supply challenges similar to those faced in Australia and New Zealand.

Progress in the business continued from previous periods, with particular success for the Novalease salary sacrifice product. EV demand grew further, with about a third of the business' orders now being for fully electric vehicles. Interest in electric vans was particularly strong, with the business receiving a significant additional order from one of its marquee customers.

"In addition to the new customer wins, further penetration was achieved by introducing additional products and services, in the process strengthening our customer relationships in this market," Mr Blau said.

The steady stream of new accounts and the growth in orders, combined with the shortage of supply, inevitably meant corresponding growth in the business' order pipeline.

LeasePlan integration delivering clear benefits

Rapid progress has been made with the LeasePlan integration during the period. Initial phases of the process were rolled out with the introduction of common premises and shared services and the start of the implementation of a group-wide products and services structure.

"The integration activity to-date has confirmed all of our synergy expectations," Mr Blau noted. "By accessing the expertise of the combined business, we have been able to adopt a best-of-breed approach and this has been paying dividends across the board. Operationally, we are seeing a clear impact from the integration and this is improving our efficiency and competitive positioning," Mr Blau said.

The Company has been able to take advantage of its greater scale and has realised the synergies expected at this time. Initial benefits of its enhanced scale were also extracted in terms of operational efficiency, revised procurement arrangements, and enhanced automation and digitisation.

Innovation supports wider offering

Innovation and the broadening of the products and services offering towards higher value-add solutions continued during the period. The Company evolved eStart into an integrated approach to decarbonisation of transport, with an initial trial receiving very positive feedback. Work also progressed with micro-mobility provider Zoomo to develop a value proposition for both the Corporate and Novated channels.

Strengthened market position to yield results in future periods

"Despite the continued impact of the supply environment on our ability to turn strong order growth into revenue, the second half of the 2022 financial year has again been a period of strong improvement for us. Assuming a continuation of the current environment, we expect to deliver continued progress in our performance in the 2023 financial year," Mr Blau said.

"The LeasePlan integration is progressing very well. During the second half, the combined business has really started hitting its stride and we will extract the full potential of our strengthened market position in future periods," Mr Blau concluded.

This announcement was approved for release by Tawanda Mutengwa, 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