

SG Fleet reports profit jump and strong order bank growth

- **Reported NPAT \$41.9m (up 41.1%)**
- **Fully franked interim dividend of 8.91cps**
- **Strong order bank growth – supply remains constrained**
- **LeasePlan integration on track – focus on benefit extraction**

14 February 2023

SG Fleet Group Limited ('SG Fleet' / 'the Company' / ASX: SGF) has reported a Net Profit After Tax ('NPAT') of \$41.9 million for the six-month period ended 31 December 2022 ('1H23'), up 41.1% on the prior corresponding period ('1H22'). Underlying NPAT was up 8.7% on 1H22 to \$42.7 million.

Total net revenue for the period was \$178.4 million, up 16.0% on 1H22. Reported Earnings Per Share ('EPS') amounted to 12.27 cents, up 34.9% on 1H22, while Underlying EPS reached 12.49 cents, up 3.9% on 1H22. The Company's Board has declared a fully franked interim dividend of 8.91 cents per share¹, up 7.1% on 1H22.

Delivering continued growth in challenging environment

SG Fleet's Chief Executive Officer, Robbie Blau, noted that the Company has again been able to make good progress in what remained a unique environment, with persisting supply constraints, wage pressures and staff shortages. "We have demonstrated the strength of our competitive position and our ability to turn the steady stream of new business opportunities into further customers wins and vehicle orders," he said.

SG Fleet saw little change in the patterns reported in previous periods. Supply, including that of vehicle components and accessories, continued to be problematic. Strong order bank growth outstripped available supply, which, despite an uptick in deliveries, led to a further increase in order pipelines. "The positive impact of our good business growth will again be pushed into future periods," Mr Blau said.

As a consequence of the supply issues, used vehicle values stabilised near peaks seen mid-2022. Mr Blau noted it was likely that values would hold up for some time.

Integration of the LeasePlan business, acquired in 2021, progressed well, with the Company focusing on the extraction of benefits in terms of scale, product range and penetration, and operational processes. "It has been a promising period for us, both in terms of order growth and integration progress. We successfully dealt with a challenging set of macro circumstances, and this has allowed us to continue on our growth path," Mr Blau said.

¹ Record date 23 February 2023, Payment date 9 March 2023

Australia

The Australian Corporate channel maintained its momentum in a largely rational competitive environment, with the Commercial business a particular highlight. Availability of vehicle models that are in high demand for fleets did not improve during the period. “Translating our customer wins and growing order book into deliveries remains the key challenge we face,” Mr Blau noted. “We continued to focus on adding sale and leaseback arrangements to address these supply issues,” he said.

On the product front, SG Fleet registered further growth for its Inspect365 safety inspection tool, the DingGo portal, and the upgraded bookingintelligence asset management solution. The latter continues to be a popular add-on for many customers, with booking transactions growing about 30% on the prior corresponding period. Orders for telematics applications were also very strong, particularly from government accounts.

Largely mirroring the fortunes of the Corporate business, the Novated channel again made good progress, winning new accounts and attracting additional driver interest.

“Last year, we optimised our lead generation approach across SG Fleet and LeasePlan customers. There is no doubt this was instrumental in the channel recording its best customer enquiry rates on record,” Mr Blau noted. “Converting those enquiries into delivered units remains challenging due to continuing supply shortages,” he said.

LeasePlan customers across both channels again responded well to the introduction of additional products and services, such as the corporate fleet technology platforms and the consumer minor damage repair and carbon offset products. In line with this, product penetration amongst LeasePlan accounts continued to increase, with over two-thirds of large corporate customers now taking multiple products.

New Zealand

In New Zealand, the continued post-COVID recovery resulted in healthy tender activity levels across the private and public sectors. Competition did however pick up, with aggressive pricing seen in some segments. “We do not believe these tactics are sustainable,” Mr Blau noted. “We have been disciplined in the pursuit of new business in this context, but retention of existing customers continues successfully.”

A feature of the market has been the assimilation of fleet management into a broader sustainability agenda, driving ever-increasing interest in electric vehicles and associated solutions, which now are a common component of tenders. The Company saw a corresponding uptick in interest for its eStart and eManage solutions. The supply and used vehicle values environment remained similar to that in Australia.

United Kingdom

Some of the concerns about the state of the UK economy and inflation levels started to abate towards the end of the period, leading to stronger demand in both the Corporate and Consumer channels. Supply remained patchy and used vehicle values held up near record levels.

The UK market continued to see strong take-up of low and zero emission vehicles, helped in part by the favourable benefits-in-kind tax regime and an increased corporate focus on the environmental aspects of fleet management.

“Given our recognised expertise in this regard, we are increasingly asked to partner with our customers in the pursuit of these objectives. This partnership approach is also encouraging panel customers to convert to sole supply, and this has benefited us in a number of cases during the period.” Mr Blau noted.

Interest in the Novalease consumer product picked up towards the turn of the year, reflecting the more positive mood seen towards period end.

“We are confident that a significant number of new opportunities we are pursuing will translate into wins in the current period, so we are targeting further improvement in the UK business in the lead-up to the financial year-end,” Mr Blau said.

Digitisation a core enabler of SG Fleet’s service vision

Following the LeasePlan acquisition, SG Fleet has at its disposal the largest fleet management data set across Australia and New Zealand and the Company intends to progressively utilise this unique advantage to create more efficient, higher value-add products and services for its customers. During the reported period, SG Fleet transitioned its accident management services to a digitised approach under the DingGo banner, a first in the industry.

The Company’s other investments also performed well, with subscription services provider Carly announcing its best ever quarterly results, and e-bikes company Zoomo introducing its solutions to an increasing number of prospective customers. “DingGo, Carly and Zoomo are great examples of our strategy to make selective, targeted investments and then leverage the new product set into our customer base,” Mr Blau noted.

EV interest accelerating rapidly

The introduction of the Federal Government legislation providing an FBT exemption for novated zero- or light-emission vehicles led to a dramatic increase in consumer interest, which manifested itself in SG Fleet’s Novated channel. Since the launch of the initiative, the percentage of customer enquiries for eligible vehicles has increased four-fold.

“We have already accumulated considerable expertise in the UK EV market, so we are obviously capitalising on this demand,” Mr Blau noted. “We believe the real benefit is yet to come, once we address the supply and model availability issues.”

“We have been able to navigate an ever-changing macro environment as well as successfully progress a transformational integration, and at the same time deliver good order growth for successive periods. These secured orders will result in deliveries in future periods, and we will continue to target further progress in terms of customer wins, vehicle orders, and product penetration in the current period and beyond,” Mr Blau concluded.

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

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