SG Fleet Group
Integrated Mobility

FY2018
ANNUAL GENERAL MEETING

23 OCTOBER 2018

Highlights

Financial Results

NPAT $67.7m
(⬆13.6%)

Total revenue $316.5m
(⬆7.9%)

EPS 26.38cps
(⬆11.9%)

Dividend

9.958 cps fully franked (⬆7.5%)

FY18 Total 18.738 cps (⬆11.5%)

Balance Sheet

Corporate leverage 0.2x

Improved conditions

Additional product and services growth

Promising outlook in key growth areas

Progress continued at healthy rate

Strategy

Integrations nearing completion – inorganic growth firmly on agenda

Efficiency program accelerating to improve operating rhythm and customer experience

High value-add product and services expansion and introduction of mobility solutions

Strong foundations as business prepares for next growth phase

Operational Review - AUS

Corporate

Customers

- Positive period with large government and corporate customers
    - New wins and strengthening relationships
    - Additional products & services
    - Impact of WA contract loss not material

Products

- Dominant trend was addition of services to existing fleets
    - Car share offering take-up by some large customers
    - Inspect 365 response very promising
- Significant increase in extensions and inertia

Significant growth in products and services range

Operational Review - AUS

Consumer

Customers

- Growth in total eligible employee pool via corporate and government wins
  - Driver conversion challenging
  - Further opportunities in pipeline

Products

- Accessories sales buoyant
  - Full range of accessories sold across nlc
  - Good conversion rates
- Expansion of car buying and used car disposal services across client base
  - Opportunity to access employee base ineligible for novated

Successfully extended target pools for novated and other products

Operational Review - UK

Business Activity

Customers

- Sole supply wins in multiple sectors
- Growing geographic footprint with public sector wins in Scotland
- SME business expanding

Products

- Van-based personal leasing and various affinity schemes received strong response
- Continued rollout of Fleetintelligence solution to enlarged customer base
- Partnership with major utility company to promote EVs

Promising outlook for key growth areas

Operational Review - NZ

Business Activity

Customers

- Customer base widening with new wins
- Additional relationships established with government agencies
- Contributions to customers increasingly recognised

Products

- Greater customer focus on driver safety solutions
- Recognised telematics expertise created new opportunities
- Actively implemented increasingly prevalent switch to EV

Progress continued at healthy rate

Update - AUS

Corporate

- Strong used car market as new car sales slow
- Trend towards broadening of products & services range continues
  - Continued strong enquiry levels for Inspect365 CoR solution
  - Launch of online driver safety platform
- Efficiency drive
  - Successful implementation of Robotic Process Automation and direct-to-customer delivery initiatives

Consumer

- Drivers
  - Q1 new private car sales down 11% on pcp, reflecting challenging consumer environment
  - Novated deliveries impacted accordingly
  - Focused on accessory expansion
- Employers
  - Good retention across large institutions
  - Consumer sales activity across existing tool-of-trade customer base

Anticipating 1H/2H split to be weighted more towards 2H

Update - UK

Business Activity

- Customers
  - Successful upsell within sole supply arrangements to include full fleet management wrap-around
  - Further expansion into NHS sector
  - Launch of SME referral alliance
- Products
  - Roll-out of new van personal leasing offering across additional target niche markets
  - Launch of new quotation portal

Integration

- Final system migration on track for 1H completion – single core system from 2H onwards
- Full people and process harmonisation

Business pursuing multiple growth avenues

Update - NZ

Business Activity

- Strong new business activity in North Island business centres
- Number of Trans-Tasman tender opportunities
- Selective push into SME segment
- Government supply contracts renewals

Customer book and products & services expansion

Summary

Financials

- 2H made up part of 1H shortfall

UK

- Promising outlook for key growth areas

Efficiency drive

- Accelerating program
- Fleet/FTE ratio improvement

Innovation

- Creation of dedicated innovation hub

Australia - Corporate

- Growth of products and services within vehicle pool

NZ

- Progress continued as relationships strengthen

Products & Services

- Extended range of revenue generators

Inorganic growth

- Eclipx offer rejected
- M&A focus remains

Australia - Consumer

- Novated deliveries impacted
- Target pool grew – upsell successful

Integrations

- Nearing completion

Mobility services

- Early stages of contribution

Outlook

- 1H/2H split weighted more towards 2H
- Multiple growth layers

Solid foundations for long-term growth

SG Fleet Group
Integrated Mobility

Annual General Meeting: FY2018 CEO's Review Speaking Notes

Cover slide

Thank you, Mr Chairman.

Good afternoon everybody. My name is Robbie Blau, CEO of SG Fleet. Thank you for taking the time to attend our 2018 Annual General Meeting.

Slide 2

I will start with an overview of our performance during the 2018 financial year and provide you with a brief summary of the key numbers.

Reported NPAT was $67.7 million, up about 14% on FY17. I am pleased to say that effectively this meant that the second half performed as foreshadowed at the half year results announcement, but also that we made up some of the shortfall on our performance in the first half. Revenue grew by about 8% to $316.5million. The result equates to a reported EPS of 26.38 cents per share, which is up about 12% on FY17.

The Board declared a final dividend of 9.958 cents per share, bringing the total dividend to 18.738 cents per share, up 11.5% on FY17.

As at 30 June 2018, our pro forma net corporate leverage stood at 0.2 times.

In the Australian market, we saw improved economic conditions during the financial year, with the industry remaining competitive in its pursuit of emerging opportunities.

The mood in the UK was more positive generally and a number of our new product initiatives there received a promising response.

Progress in New Zealand continued at a healthy rate. As was the case in Australia, a widening of the range of products sold to customers was a feature here.

Integration of our acquisitions neared completion. With the Group now functioning as one, we are accelerating our efficiency program to improve our operating rhythm and deliver an even better customer experience. Looking ahead, we are evolving our core activities to add additional layers of future growth, further expanding our high value-add products and services range and providing increasingly integrated solutions to our customers.

I will now do a more detailed run-through of the 2018 financial year by market, and then provide an update on our performance so far in the current financial year.

Slide 3

Let me start with a review of the period in Australia.

Our corporate business saw a positive year in terms of our activities with some of the larger government and corporate customers. As well as adding some new customers to our book, we further strengthened our relationships with existing ones.

The dominant feature of the 2018 financial year was the addition of higher value-add products and services to the vehicles already on our books. This allowed us to grow overall profit independently of vehicle numbers growth, which was influenced by a spike in extensions and inertia. This will play out over time. As for additional products and services, I'd like to highlight the take-up of our car share offering by a few large customers. We also had a very promising response to our new Chain of Responsibility management product.

Slide 4

During the year, our Consumer business had a number of corporate wins. Further opportunities to add employer customers to the book are emerging.

Conversion of eligible staff into novated drivers continued to be challenging, however. This was very much in line with the pattern observed at the start of the year: consumers were reluctant to enter into agreements for major purchases, as we saw with the decline in private car sales.

The sale of accessories to novated drivers however remained buoyant. The full range of vehicle accessories is now available through the nlc channel and we saw good conversion of accessory sale opportunities across both the sgfleet and nlc brands. The business also was busy rolling out its car buying and disposal services to both individual customers and the wider employee base of our customers.

Slide 5

In the UK, despite some rumblings around Brexit, the overall climate saw some improvement during the year. As a result, we saw an uptick in interest in both tool-of-trade and salary packaging services.

As in previous periods, we continued to build out our customer book, breaking into a number of new industry sectors with some sole supply wins. This diversification also occurred in geographic terms, adding customers across the country. We also continued to expand in the SME segment, which accounts for a very significant part of the UK economy.

In terms of new product initiatives, personal leasing is an area of strong growth in this market and we launched a van-based scheme into the owner/driver segment via franchise or trade association affiliations.

With the various acquired businesses now integrated across the Group, we also made progress with the continued roll-out of solutions across our geographies. For example, our Fleetintelligence data insights and reporting portal is now also being offered to Fleet Hire customers.

Low emission vehicles continued to be a hot topic in the UK and we entered into a partnership with a major national utility company to raise awareness and promote electric vehicles across the business community.

All in all, a promising outlook in a number of product areas for our UK business, which is conducive to continued expansion.

Slide 6

In New Zealand, business confidence remained in positive territory and corporate investment levels were maintained. This continued positive mood was reflected in healthy tender activity levels and opportunities continued to arise for our business there.

As we are a smaller player in the New Zealand market, the objective continues to be to widen our footprint across various industry sectors and strengthen our relationships with key marquee customers. We were very successful on both fronts in the 2018 financial year. We had wins in multiple sectors and further developed our reach within government on the back of our previous achievements in that segment.

The trend in New Zealand is towards higher value-add services and accordingly we had good demand for our driver safety and telematics expertise from existing customers. We have established ourselves as an Electric Vehicle expert in this market and some of our customers engaged us to help with transitioning their fleet to EVs. Others are trialling the same approach.

Slide 7

Let me now move on to our performance in the first few months of the current financial year.

In Australia, we have seen a continuation of the trends observed at the year end. Lacklustre new car sales, particularly in the private vehicle segment, are supporting residual values.

Within our corporate customer book, the increased penetration of our products and services, which supported our performance in the 2018 financial year, continues as we further develop our offering. I mentioned earlier that we had a good response to the launch of Inspect365, our Chain of Responsibility solution, at the end of the financial year, and enquiry levels for this product continue to be strong. We also launched a new online driver safety platform.

New private car sales were down again on the previous corresponding period, by 11% in the first quarter, reflecting the challenging consumer environment. Novated deliveries in our Consumer business were impacted accordingly.

We remain focused on the further expansion of our accessories range and sales with existing drivers. We have also been successful in retaining key customers and are pursuing opportunities to add new names to our Consumer customer book.

Finally, in terms of our efficiency drive, we have now successfully implemented automation initiatives in additional areas.

Overall, we expect that in the 2019 financial year, our first half versus second half revenue and profit split – which historically has been around 46/54 – will be more weighted towards the second half as the measures we are taking to address the challenges in our Consumer business start coming through.

Slide 8

In the UK, our focus continues to be on the expansion of our footprint, both with existing customers and in terms of new wins.

We are actively growing the range of products and services provided to existing customers, particularly where we already have an existing sole supply arrangement in place for some of our products or services. After winning some sizeable contracts in the National Health Service sector last year, we have continued to add customers at the start of this financial year. I mentioned the importance of the SME segment in the UK economy, and we have launched an alliance scheme to channel SME referrals to our business development team.

In terms of products, we are now rolling out the light commercial personal leasing offering launched last year to additional niche market segments.

The remaining tasks for the integration of Fleet Hire and Motiva are nearing completion and we will have a single core system for the combined business in place from the second half of the current financial year onwards.

Slide 9

Finally, in New Zealand, despite a normalisation of economic growth, we continue to encounter new business activity, particularly on the North Island.

We are also pursuing a few opportunities that have come to us thanks to existing customer relationships in Australia. As in the UK, we are having a good look at the SME segment in this market, and we are selectively targeting customer wins where potential returns are worthwhile. Our strong relationships with a number of marquee government entities have also led to the renewal of contracts in this customer segment.

Slide 10

In conclusion, allow me to summarise the key developments of the 2018 financial year.

In terms of our financials, it was a positive to see that our second half performance made up for part of the temporary negative impact of the developments we reported at the half year.

While vehicle pool growth in Australia was muted, we continued to add products and services to existing customers and fleets, helping us to a solid performance in our Australian business.

Novated deliveries in our Consumer business were impacted, reflecting the challenging consumer environment and another year-on-year decline in new private car sales in the first quarter. As I mentioned, we have taken measures to address this and expect this to be reflected in the business' future performance.

Both the UK and New Zealand performed well, with plenty of further growth avenues at their disposal as these businesses strengthen their position in their respective markets further.

Integration activity is nearing completion. Our focus is now very much on improving our operating rhythm and customer experience. Good progress has already been made.

At the same time, we continued to evolve our offering, with a focus on value-add, and we expect to see a growing contribution from our mobility services range in future years. We further underpinned our innovation culture with the creation of a dedicated innovation hub.

As you will recall, we made an offer to acquire Eclipx and this offer was promptly rejected. However, we remain keen to bring the two companies together as we believe this would benefit both sets of shareholders. Clearly, such a transaction would have to be at the right price for us. Putting that aside, we remain on the lookout for acquisition and scale opportunities and I continue to believe there is a reasonable likelihood that further consolidation opportunities will appear this year.

Growth in the current year will come primarily from ongoing activities, supplemented by further product and services expansion, which we expect to accelerate in future years as we bring our mobility services solutions to market. Both add growth layers to our existing activities, as would any acquisitions.

We expect that the further addition of new products across the Group and the initiatives we have put in place in our Consumer business to deal with the challenging environment there will see our performance weighted more heavily towards the second half than has historically been the case.

Thank you for your attention.

I will hand back to the Chairman now.

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