SG Fleet Group
Integrated Mobility

ASX Announcement

SG Fleet Reports $31.6m Profit as UK Acquisitions Add to Continued Organic Growth

- **1H18 NPAT $31.6m, up 18.8% on 1H17**
- **Total revenue $154.2m, up 15.4%**
- **EPS 12.35c, up 17.3%**
- **Fully franked interim dividend of 8.78cps, up 16.5% - yield 4.4%[1]**
- **UK set up for growth / New Zealand progress continues**
- **Integrations entering final phase**

13 February 2018

SG Fleet Group Limited ('SG Fleet' / ASX: SGF) has reported a $31.6 million Net Profit After Tax ('NPAT') for the first half of the 2018 financial year ('1H18'), an increase of 18.8% on the prior corresponding period ('1H17').

Total revenue for the reported period was $154.2 million, up 15.4% on the previous corresponding period. Expenses, excluding those related to acquisitions, increased by 19.2% to $109.7 million, primarily as a result of the UK acquisitions.

Reported Earnings per Share ('EPS') were 12.35 cents, an increase of 17.3%.

SG Fleet's Board has declared a fully franked interim dividend of 8.78 cents per share[2].

Demand remains strong

SG Fleet's Chief Executive Officer, Robbie Blau, said the Company's results reflected a fairly tough period towards the end of the half, with continued revenue progress and the contributions from the UK acquisitions somewhat diluted by headwinds in one or two areas. "The overall business performed well and demand for our products and services remains strong. Promisingly, interest in our integrated mobility solutions has accelerated further," Mr Blau said.

Australia

The Australian Corporate business reported a steady stream of new opportunities during the period, helped by a more positive mood in the economy.

Mr Blau noted that the business continued to extend its market share. "In addition to new client wins, we are getting increased traction with higher value-add technology-based solutions amongst existing corporate and government customers. These customers are effectively increasing their overall spend on mobility services to access the cost savings we can generate for them," he said.

SG Fleet flagged at its 2017 full year results that the heavy commercial vehicle segment had been a challenge in terms of winning contracts at acceptable returns. This continued late in the period and the profit contribution from this segment declined by $1.4 million relative to the

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[1] Based on declared dividend and reported period VWAP

[2] Record date 28 March 2018, Payment date 19 April 2018

previous corresponding period. “We are addressing this headwind without compromising future profitability by maintaining our pricing discipline,” Mr Blau said.

In the Consumer business, subdued consumer sentiment was a factor in lease take-up by drivers. However, the Company was successful in signing up a number of new employers. Further opportunities arise on a regular basis. The business is also exploring additional lead-generation methods to feed into its wider consumer offering, which complements the novated channel.

Profits in the Consumer business were impacted by approximately $1 million by the lowering of commissions on some add-on insurance products, in line with the regulatory reviews conducted in that space. “Margins are now at a new, sustainable baseline and this will be reflected in our internal forecasts moving forward,” Mr Blau noted.

The integration of the nlc business is entering its final phase, and synergies remain on track. Team integration has been completed and the sharing of best practices across sgfleet and nlc is yielding a number of benefits. “We have been able to improve our product mix and the process of bringing it to our customers,” Mr Blau noted. “This in turn has enhanced the customer experience and the productivity of our combined teams,” he said.

United Kingdom

A relatively stable economic environment in the UK was reflected in the strong activity in the light commercial vehicle segment. Interest is also increasing in personal leasing products. SG Fleet’s business has a presence in both areas and is actively targeting further growth.

“In the light commercial contract hire space, we are actively deploying Motiva’s longstanding expertise across the combined customer book, with good success,” Mr Blau said. “The launch of our personal leasing product has also been promising and activity is growing by the day,” he said.

In the salary packaging segment, activity continued to recover following the UK government’s clarification of its stance on salary sacrifice schemes. SG Fleet registered good wins across a number of sectors and is responding to a growing number of further opportunities.

The integration of the businesses acquired in late 2016 is nearing completion, with the systems migration across the three businesses on track for completion in the third quarter of 2018. The Fleet Hire business has already been moved onto the SG Fleet platform. Synergy benefits are flowing through in the current half, as budgeted.

”With the UK business nearing the end of its integration, it is now in a good position to create healthy, sustainable growth on a number of fronts in what remains a very attractive market. The completion of the integration will also mean we can have a closer look at further acquisition opportunities,” Mr Blau said.

New Zealand

In New Zealand, economic activity remained strong and this was duly reflected in a strong opportunities pipeline for SG Fleet’s local operations.

The business achieved a number of good wins during the period and its strong competitive position was evidenced by a healthy order flow from panel accounts. SG Fleet’s demonstrated ability to transition fleets also contributed to the signing of additional sale and leaseback deals.

“We continue to be recognised by the big fleet operators for the quality of our products and services and our blue chip reputation is growing by the day, including amongst key government entities," Mr Blau said. "In particular, we have been able to position ourselves as a leader in telematics applications and the management of electric fleets. Given the government's drive to promote electric vehicle penetration, this is a powerful differentiator in this market," he noted.

Progress targeted on multiple fronts

Mr Blau said: "Historically, our second half performance is typically stronger than the first half and this year will be no exception. The pipeline of opportunities for our business remains healthy and we may see further improvement if the economic climate continues to become more positive.

"At the same time, we will continue to build our products and services range. We are developing a product that will help commercial transport operators manage the Chain of Responsibility legislation that will come into effect later this year. A number of the telematics trials that we referred to previously are now being converted into contracts and the penetration of other tech-based products is accelerating further.

"The mobility concept is also gaining greater acceptance. For example, we are now actively involved in the design of a mobility chain for one of our major customers. These opportunities create additional revenue sources for us," Mr Blau noted.

"Across the Group, we are stepping up efforts to improve operational efficiency, which will yield cost savings and improve our ability to deliver for our customers. And of course, we continue to actively investigate opportunities to build scale and strengthen our offering, as always, with the support of our majority shareholder. Consolidation will very much remain a feature of our industry," Mr Blau concluded.

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