



# **Investor Day**

**27 May 2015**

## **Information Pack**

# Contents

- Schedule
- Session 1: Sales and Tendering
- Session 2: Innovation and Technology
- Session 3: Residual Value Setting
- Business Glossary



**Schedule of events:**

<b>Start</b>	<b>End</b>	<b>Activity</b>	<b>Location</b>	<b>Speaker / Host</b>
<b>09.00</b>	<b>09.30</b>	Session 1: Sales and Tendering	Pymble	Keith Cormican (GE Sales & Commercial Excellence) Andrew Miller (GM Sales) Philip Clump (NM Novated Sales)
<b>09.30</b>	<b>10.15</b>	Session 2: Innovation and Technology	Pymble	Andy Graham (GM Technology & Innovation) Robbie Blau (CEO)
<b>10.15</b>	<b>10.30</b>	Office walk-through	Pymble	Andy Mulcaster (MD, Australia)
<b>10.30</b>	<b>11.15</b>	Transfer to Homebush facilities		Robbie Blau (CEO) Kevin Wundram (CFO) Ron Polkinghorne (ED Global)
<b>11.15</b>	<b>12.00</b>	Session 3: Residual Value Setting	Homebush	Andy Mulcaster (MD, Australia)
<b>12.00</b>	<b>12.30</b>	Session 4: Facilities tour and vehicle disposal process overview	Homebush	Andy Mulcaster (MD, Australia)
<b>12.30</b>	<b>13.15</b>	Lunch and interaction with management	Homebush	Robbie Blau (CEO) various
<b>13.15</b>	<b>14.00</b>	Bus transfer from Homebush to CBD		Robbie Blau (CEO) Kevin Wundram (CFO)

# 2015 Investor Day

## Session 1

### Sales and Tendering



# Agenda

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- The Hunter / Farmer model
  - How do we get appointed?
  - Customer focus
  - SG Fleet's response focus
  - Questions
-

SG Fleet moved from product-centric model to a Hunter / Farmer model

- Division of focus and expertise between new client acquisition and existing client share of wallet growth
    - Hunters: focus on getting new customers
    - Farmers: focus on managing existing accounts
  - Structure has produced immediate results, with improved win rates and customer penetration levels
  - Teams cooperate on constant basis, including for cross-sell
    - E.g. where a corporate customer is introduced to novated
-

- New client acquisition process

'Prequalification' of potential targets



Early engagement



Establishment of relationship and assessment of customer needs, processes and timing



Guidance to customer (consulting)

- Prequalification to tender on average 6-12 months, up to 3 years
  - Average sales experience of 7 years
-

- Potential customers are identified through variety of channels
  - Direct approach
  - Referrals by e.g.:
    - Business partners
    - Element Arval Global Alliance
    - Existing customers
  - + novated driver acquisition
  - + projects and campaigns to specific customer types/groups
  
- Targets grouped into priority areas

'Game changers'  
led by Executive  
Team

Strategic Top200  
led by General  
Manager

'Sweet Spot'  
led by BDMs

Under-30 V.  
Direct Business team

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- Dedicated relationship teams
    - Relationship Manager, Fleet Manager, functional teams
  - Primary focus:
    - Maintain, protect and enhance relationships
    - Ongoing fleet management work
      - New vehicles, replacements/extensions, restructures
      - Other touch-points: management of fuel, maintenance, accident, registration
      - Regular contact and analysis / reports + formal strategic review for larger fleets
    - Share of wallet / up-sell of other assets or products
  - Novated
    - Employer-customer
      - Generate increased driver enquiries via support of internal teams
    - Drivers at end of lease
-

# How Do We Get Appointed?

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- Tenders / Re-tenders
    - Sole vs. panel
    - Can occur every 3-4 years in line with internal governance
    - Significant lead times and lengthened process
    - At re-tender stage:
      - Focus on providing additional value-add: e.g. DriverSafety, new innovations
  - Non-tender / Renewals
    - Includes existing customers opting not to go to market
  - Novated drivers
    - Vehicle replacements
-

Customers look at proposition in terms of:

- Value for money / value-add
- Service quality
- Innovation
- Price

Our income is only small component of total cost of owning/operating asset

- Switching of providers usually driven by perceived lack of value-for-money or poor service
  - SG Fleet retention rates very high – number of multiple decade relationships
  - Monitoring of service levels, including NPS surveys
-

## New to outsource / novate

- Emphasis on benefits of professional fleet management and savings generated
  - Database of cost saving case studies under various service models
- Availability of specialist expertise that cannot be sourced in-house
- Novated: best practice in employee remuneration / retention

## Conversion to leasing

- Flexible funding / transfer of risk
  - Optimal asset management through fleet ownership
    - End-to-end involvement reduces 'whole-of-life' fleet costs
  - Reduced duplication of activity
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# Our Focus by Growth Avenue

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## Market share gains

- Emphasis on highly differentiated offering
- High value-add
- Service quality
- Innovation

## Customer penetration

- Offer of additional products and services
  - Ability to continuously identify, develop or source attractive solutions to emerging needs
-

# Our Focus – Common Elements



# Questions

# 2015 Investor Day

## Session 2

### Innovation and Technology





- Overview of innovation and technology methodologies
  - Demonstration of initiatives:
    - *Fleetintelligence* (all countries)
    - FBT Data Collector (NZ)
    - Mobile app (Australia)
  - Looking ahead: trends in vehicle use
-

# Approach and Methodology Discipline

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- Proprietary on-line and app-based solutions
  - All development completed in Sydney under guidance and control of GM, Innovation and Technology



- Consistent approach, serving clear corporate strategic objective
- Not dependent on outside providers / exact to requirement
- Maximum extraction of in-house operational expertise in selection and development
- Flexible and quick-to-market

- Leading edge – but not bleeding edge – in approach to latest tools and techniques
  - Consistently review new development tools to determine if their capabilities can be leveraged

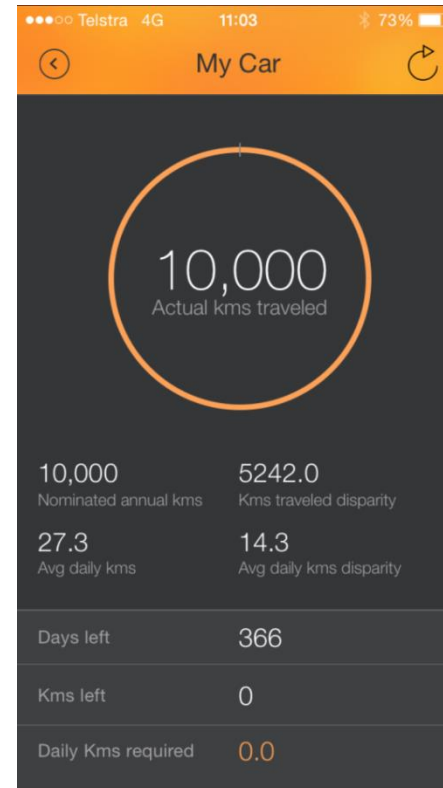
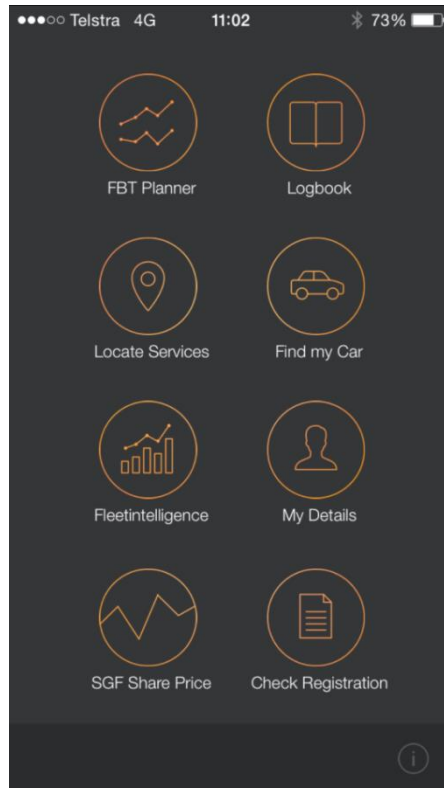


- Business priority – direct outcomes
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# User-focused Design



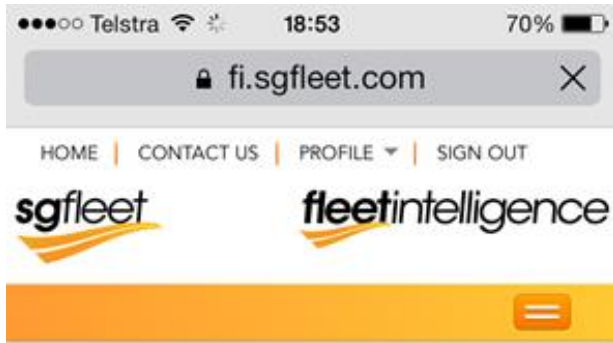
- Our design philosophy is to keep things simple and intuitive
  - Keep the end user experience in mind at all times



- Our technological capabilities are and will remain at the industry forefront
  - In-market now with leading edge solutions
  - About to launch next step ahead
  - Next gen concepts already under investigation



- Our 'flagship' on-line service
  - Provides access to information and transaction processing capabilities
  - Role-based application
    - functions and reports available depend on user's relationship with SG Fleet
  - Over 25,000 subscribed users
  - Continually enhanced and refined
-

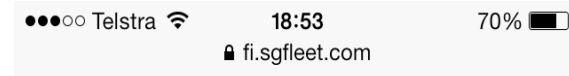


**Your Vehicle(s)** ⓘ

Vehicle Description	Registration
TOYOTA AURION 3.5 Sportivo SX6 Auto 4dr Sedan	

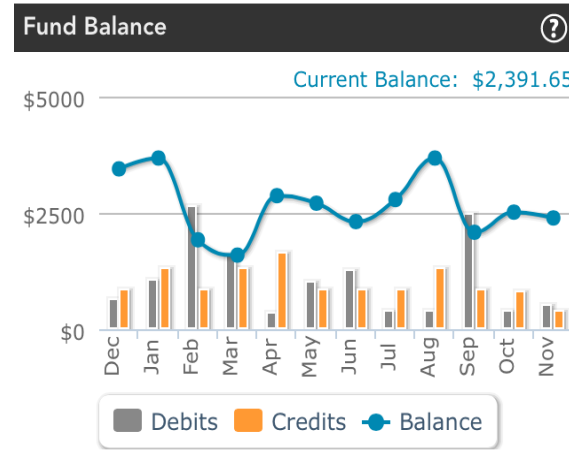
**KM Tracker** ⓘ

Nominated annual KM:	20,000
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**KM Tracker** ⓘ

Nominated annual KM:	20,000
FBT start KM (as at 01/04/2013):	128,804
Last Reading (as at 29/10/2013):	140,816
Actual KM travelled:	12,012
Average daily KM travelled:	51.33
Remaining KM total / daily:	0 / 0
Annualised KM:	20,681



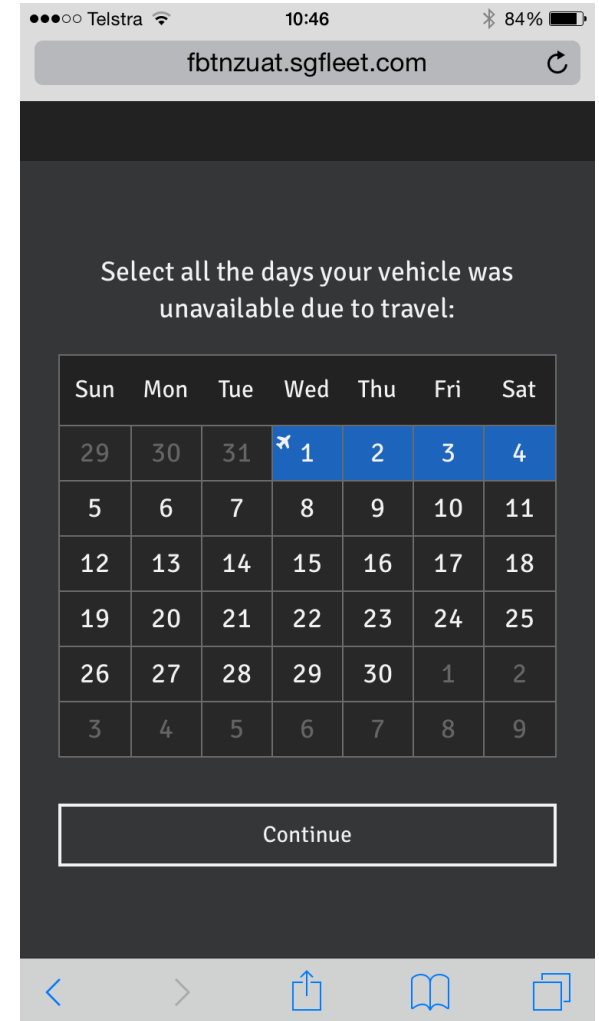
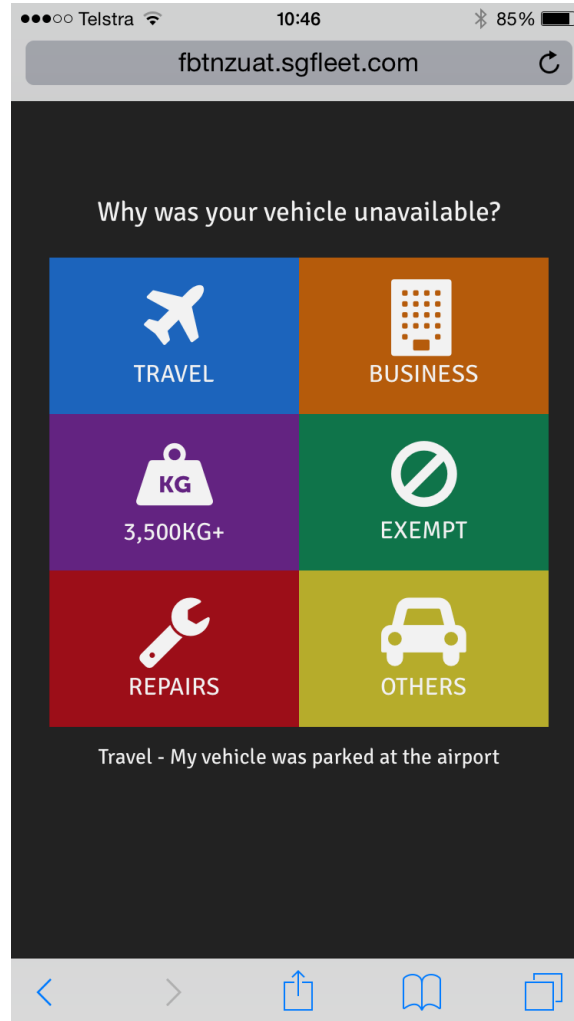
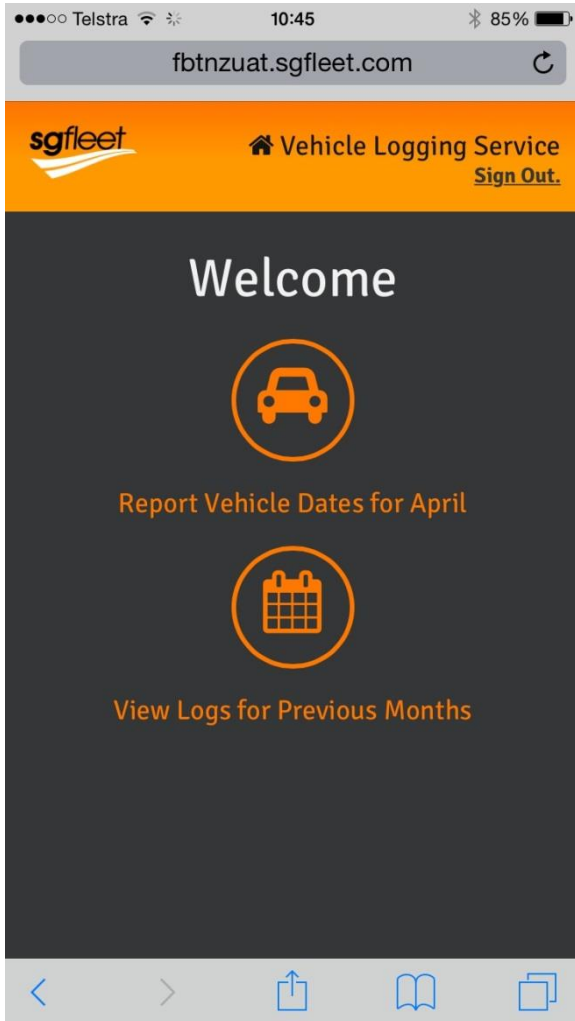
# FBT Data Collector (New Zealand)

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- New initiative launching in New Zealand market
  - Taking a traditionally manual, e-mail based process and driving greater efficiencies through technology
  - Delivered via a secure web-based platform that allows drivers to submit vehicle usage on a monthly basis
  - Provides further differentiation within the New Zealand market
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# FBT Data Collector (New Zealand)





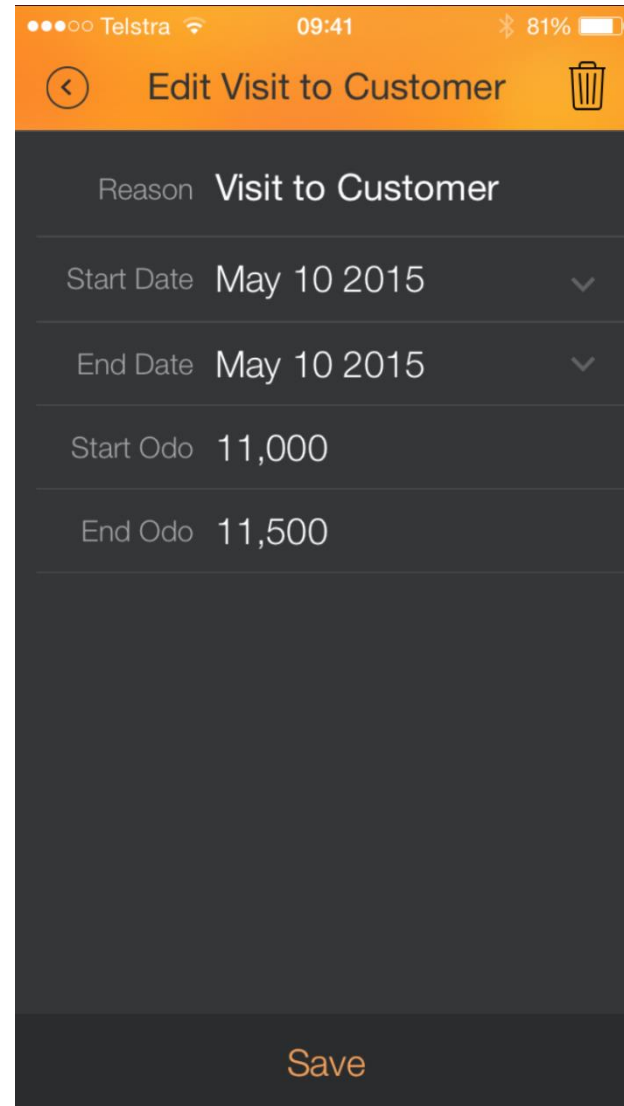
# Mobile App (Australia)

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- iOS and Android native app that allows drivers to track km usage, manage logbooks, plus other features
  - Available free of charge in respective app stores
  - Continuously enhanced and refined
    - recent enhancement to check car registration status
  - Next steps mapped out
    - further integration of the app with ***fleetintelligence***
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# Mobile App (Australia)

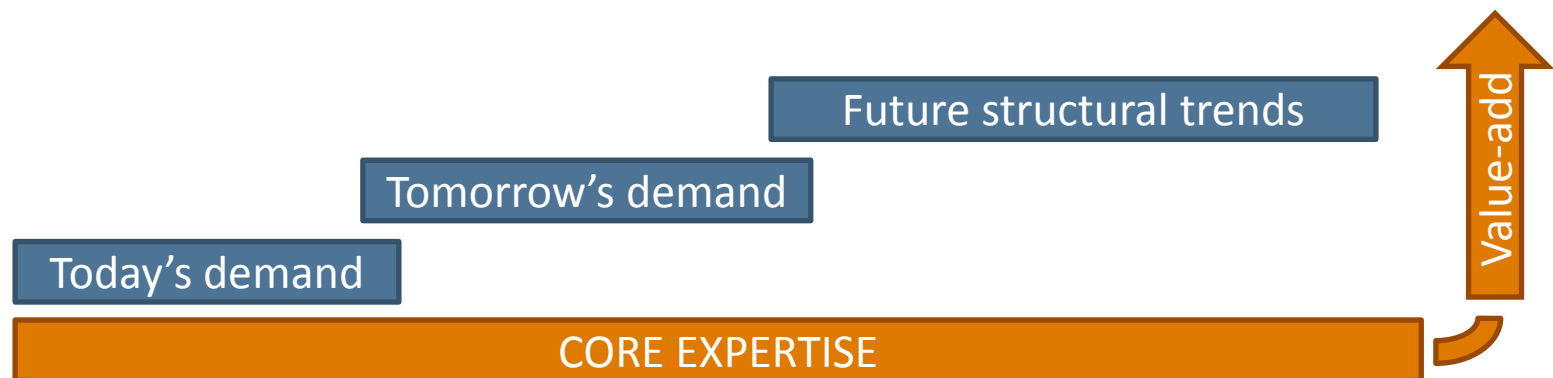


# Looking Ahead

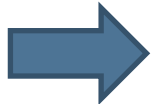
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- Increasing rate of technological advancement leads to fundamental rethink of ownership and usage concepts
- Companies aiming to remain relevant and generate sustainable shareholder value must:
  - meet today's demands;
  - meet tomorrow's demands ;
  - understand longer term structural trends;
  - translate these trends into an effective business strategy; AND
  - embrace and execute on continuous change without losing sight of core expertise and targeting increased value-adds



- Mobility as a solution

 From 'own' to 'use'

- Technological advancement will allow for a rethink of how we use a vehicle
  - Hybrid / electric vehicles
  - In-car telematics and driverless vehicles
  - Availability of ultra-detailed travel and transport information
  - Pooling / sharing and interaction with other modes of transport in a changing cityscape

 Mobility on-demand

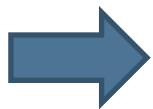
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# The Opportunity for SG Fleet

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- SG Fleet constantly innovates – adapting services to provide an evolving mobility solution
  - Efficient management and allocation of the transport asset
  - Driver and passenger safety
  - Channeling massive amount of telematics data into productive use
- We are well positioned to take advantage of the emerging ‘Internet of Things’ to deliver unique and innovative services
  - We have an existing infrastructure and strong customer base to support these initiatives
  - The technology foundation we have in place is very mature and robust



SG Fleet is able to adapt quickly, profitably and with minimal business risk to changing market conditions

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# Questions

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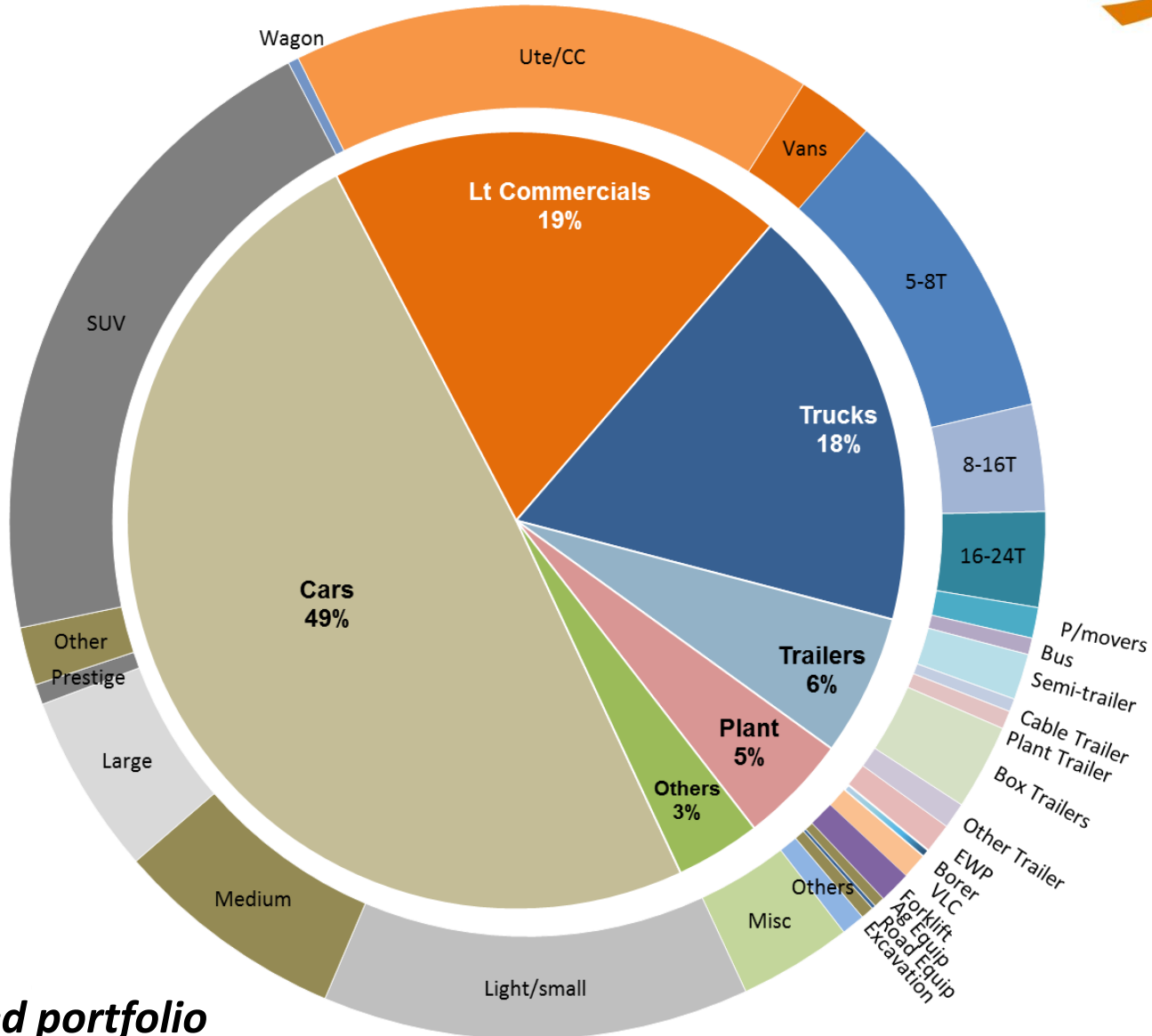
# 2015 Investor Day

## Session 3

### Residual Value Setting



# SG Fleet's Portfolio Today



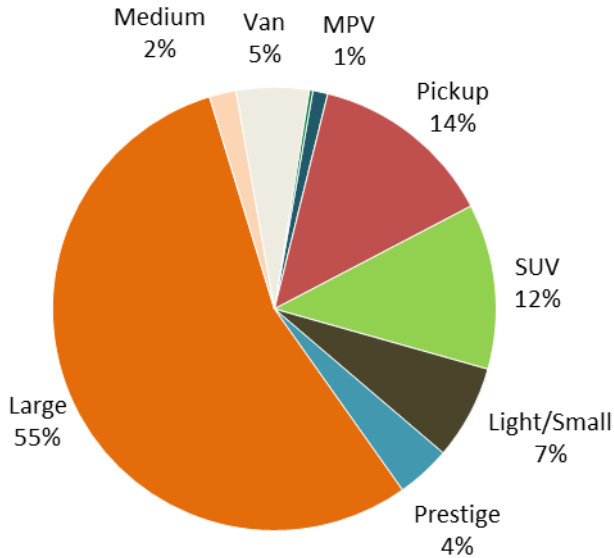
***Well-balanced portfolio***



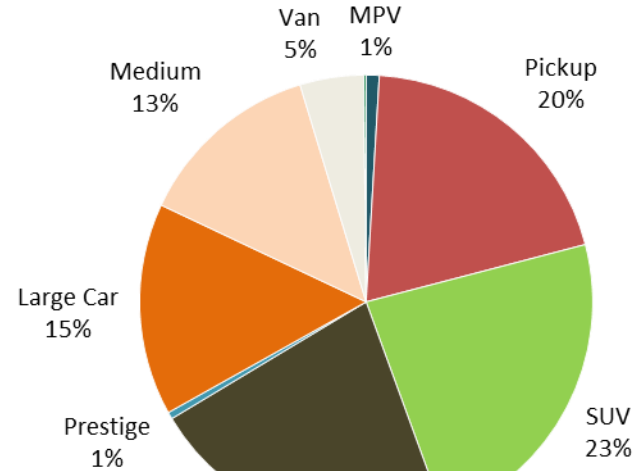
# Operating Lease Mix Changes – Pass/LC



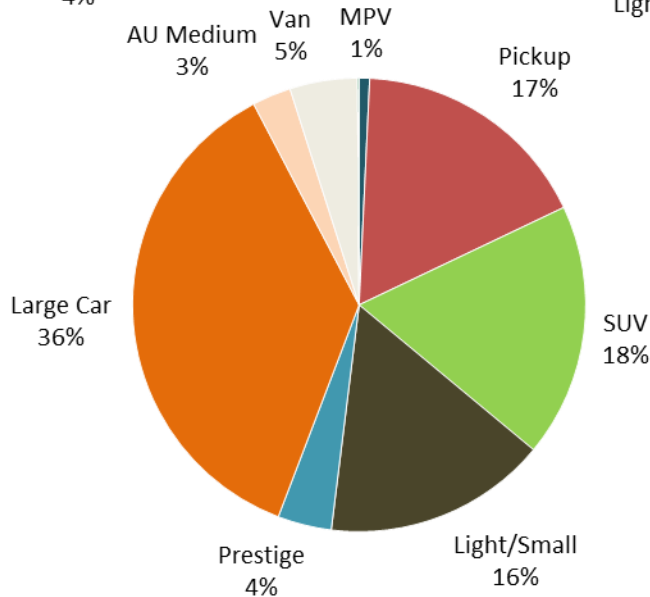
1/1/2006



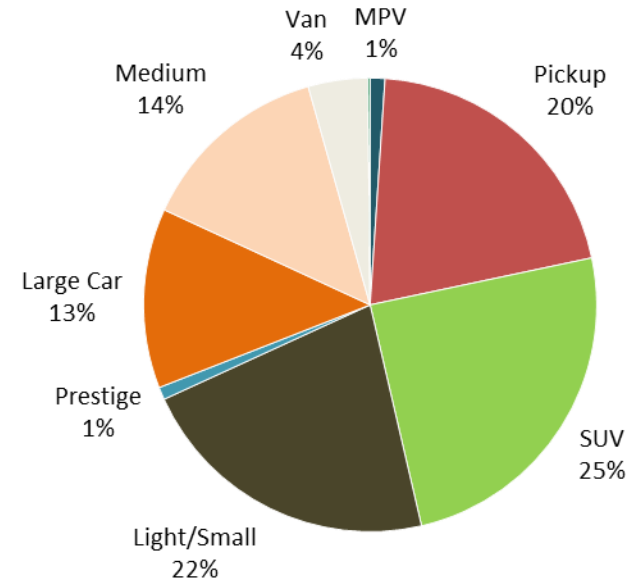
1/1/2014



1/1/2010



1/1/2015

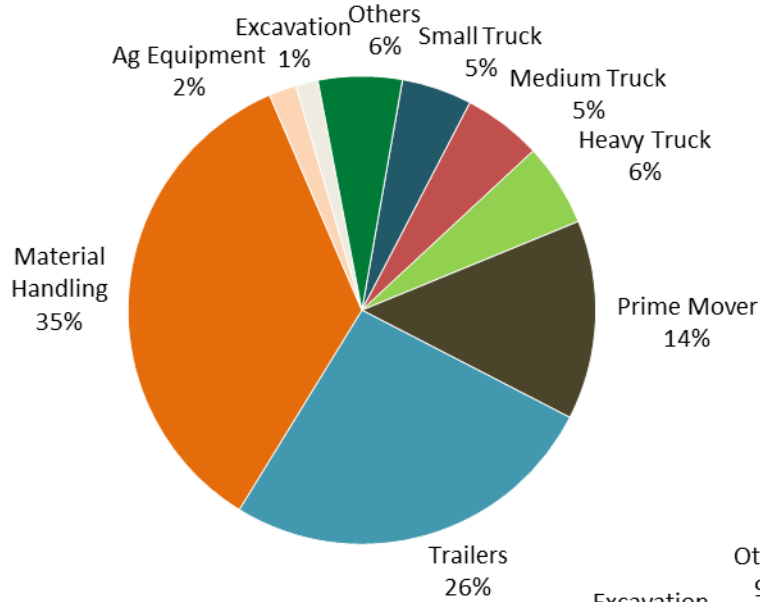


**Decreased  
segment risk**

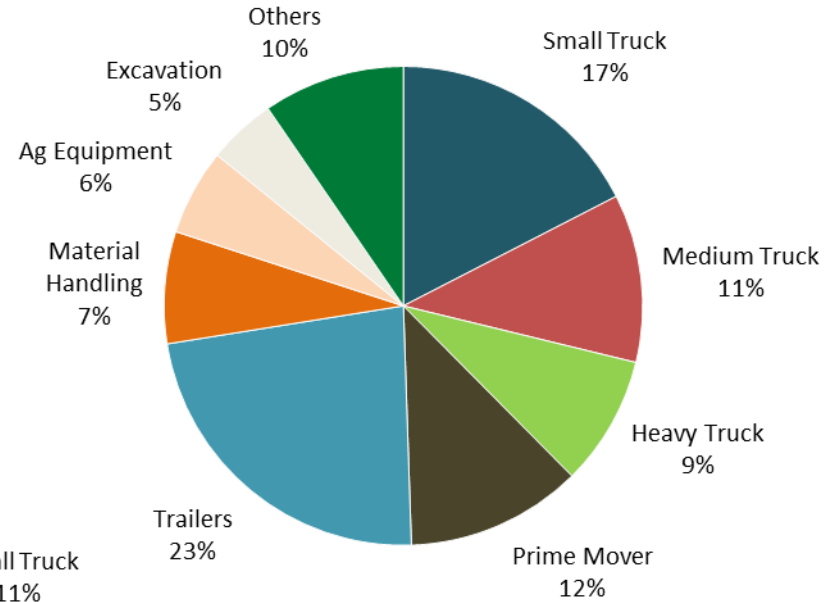
# Operating Lease Mix Changes – Commercial



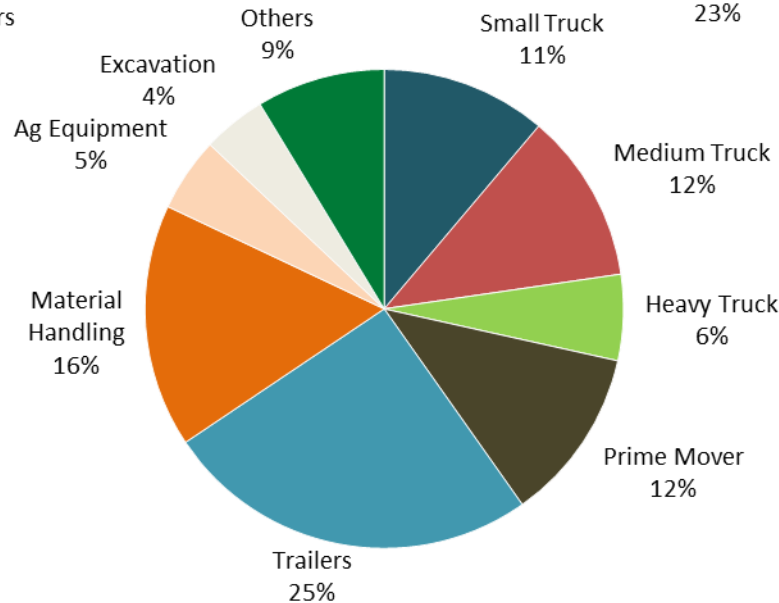
1/12/2009



1/1/2015



1/12/2013



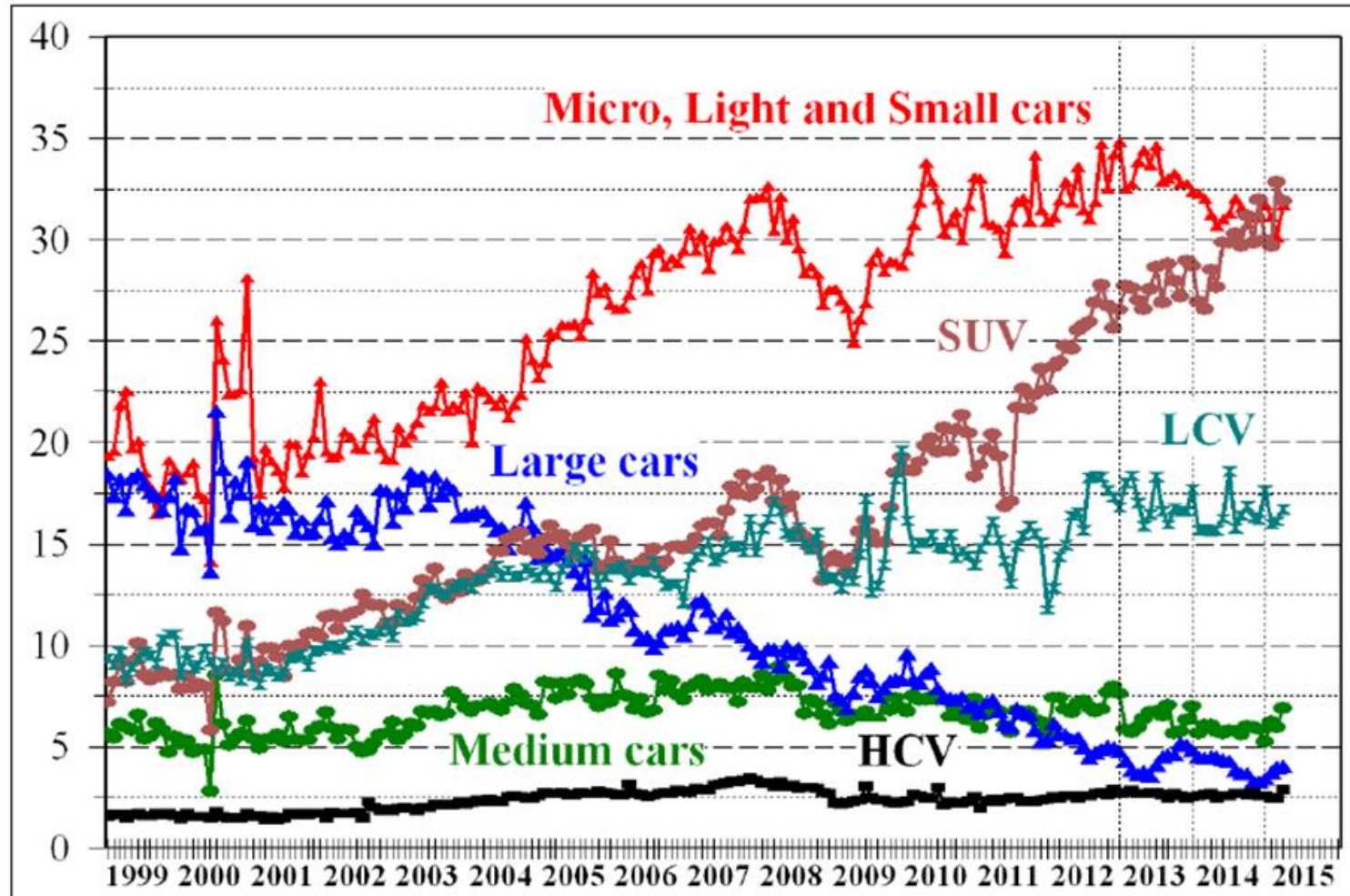
**Well-balanced book**

# Monthly New Volumes



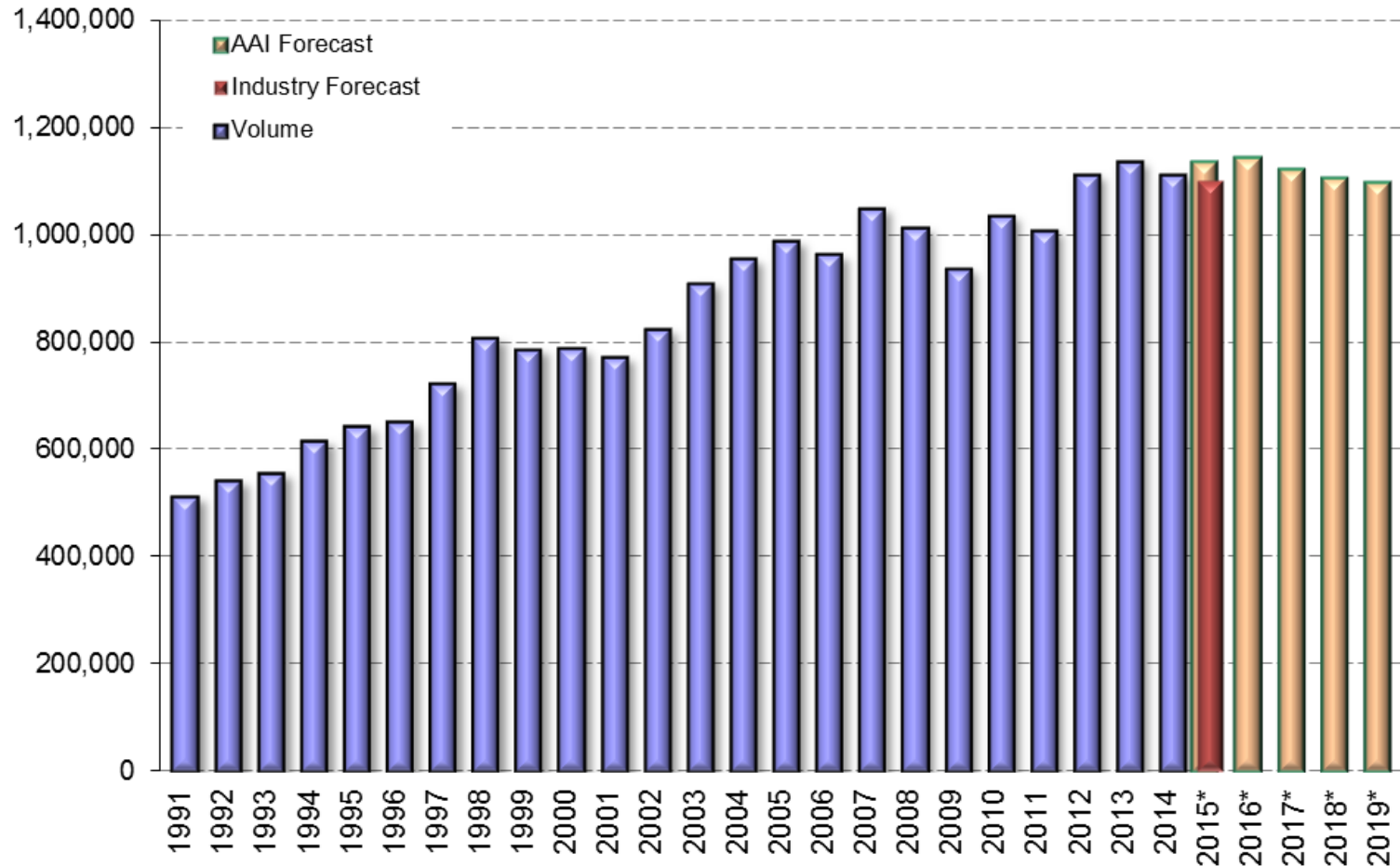
## SALES OF VEHICLES BY SELECTED SEGMENTS

VFACTS data; thousand vehicles; seasonally adjusted by AAI



**Significant growth in SUV segment**

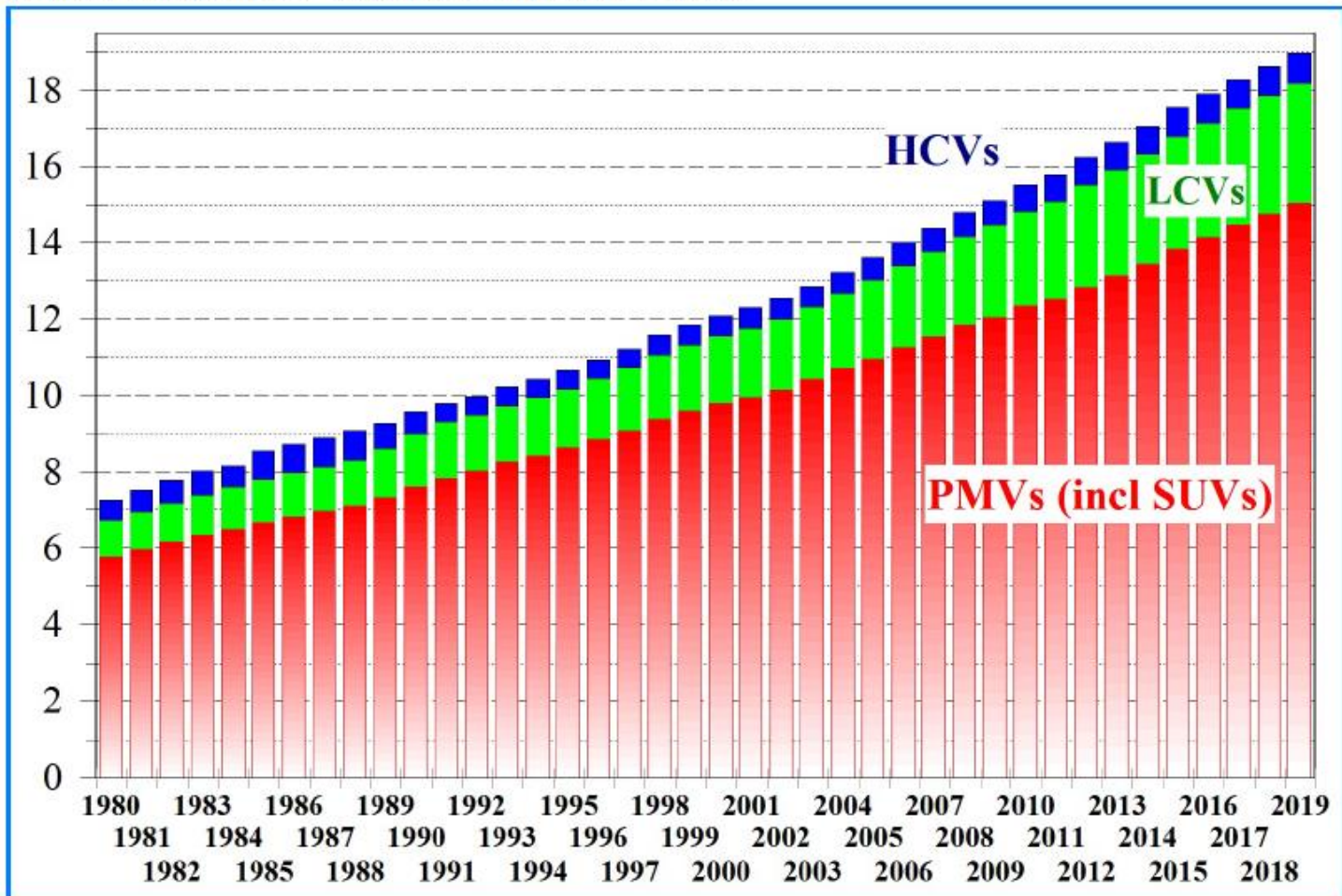
# Annual New Volumes



***Stable years after 2012 increase***  
***Current forecast is for no further new volume increases***

## NATIONAL VEHICLE PARC FORECAST BY VEHICLE TYPE

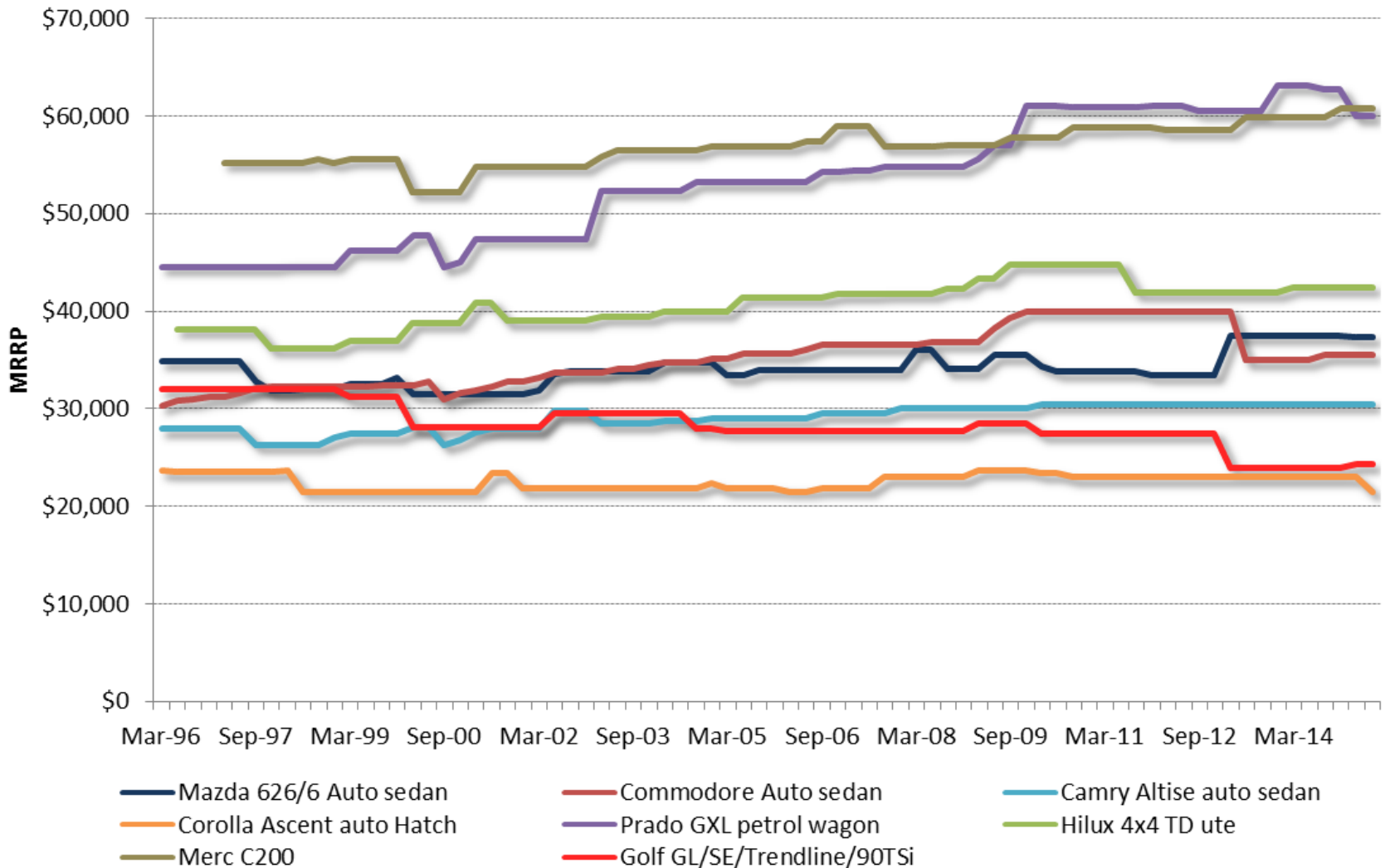
Million vehicles; at June of years shown; 2015 to 2019 forecasts



**Total registered vehicle size forecast to grow to 19m at ca. 0.33m p/a**

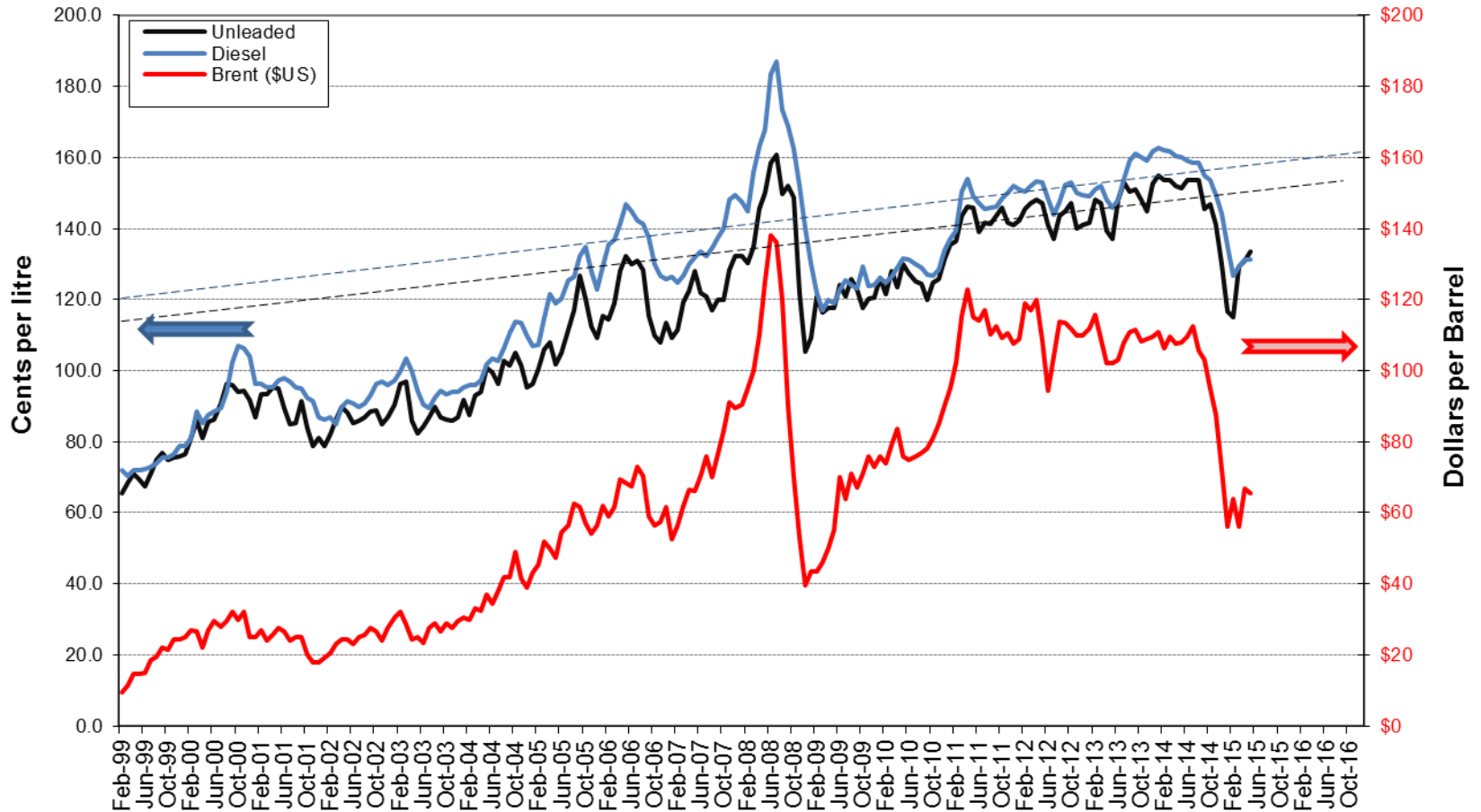


# New Vehicle Price Trends



***Pricing generally stable - manufacturers adjusting for supply and demand***

## Avg monthly Fuel Cost trend

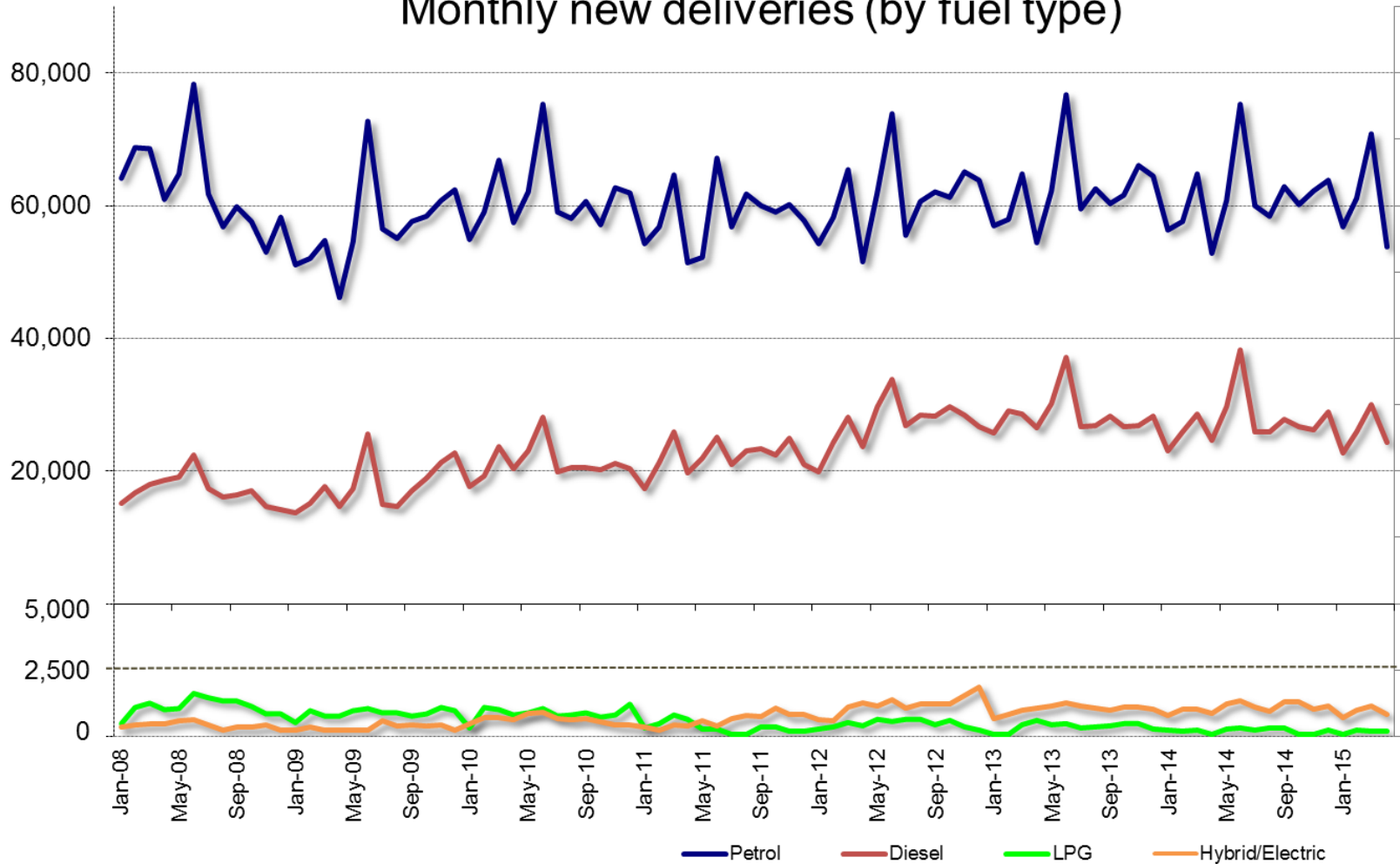


***Expecting prices to increase slowly over time***

# Passenger/LC fuel Type Forecast



## Monthly new deliveries (by fuel type)

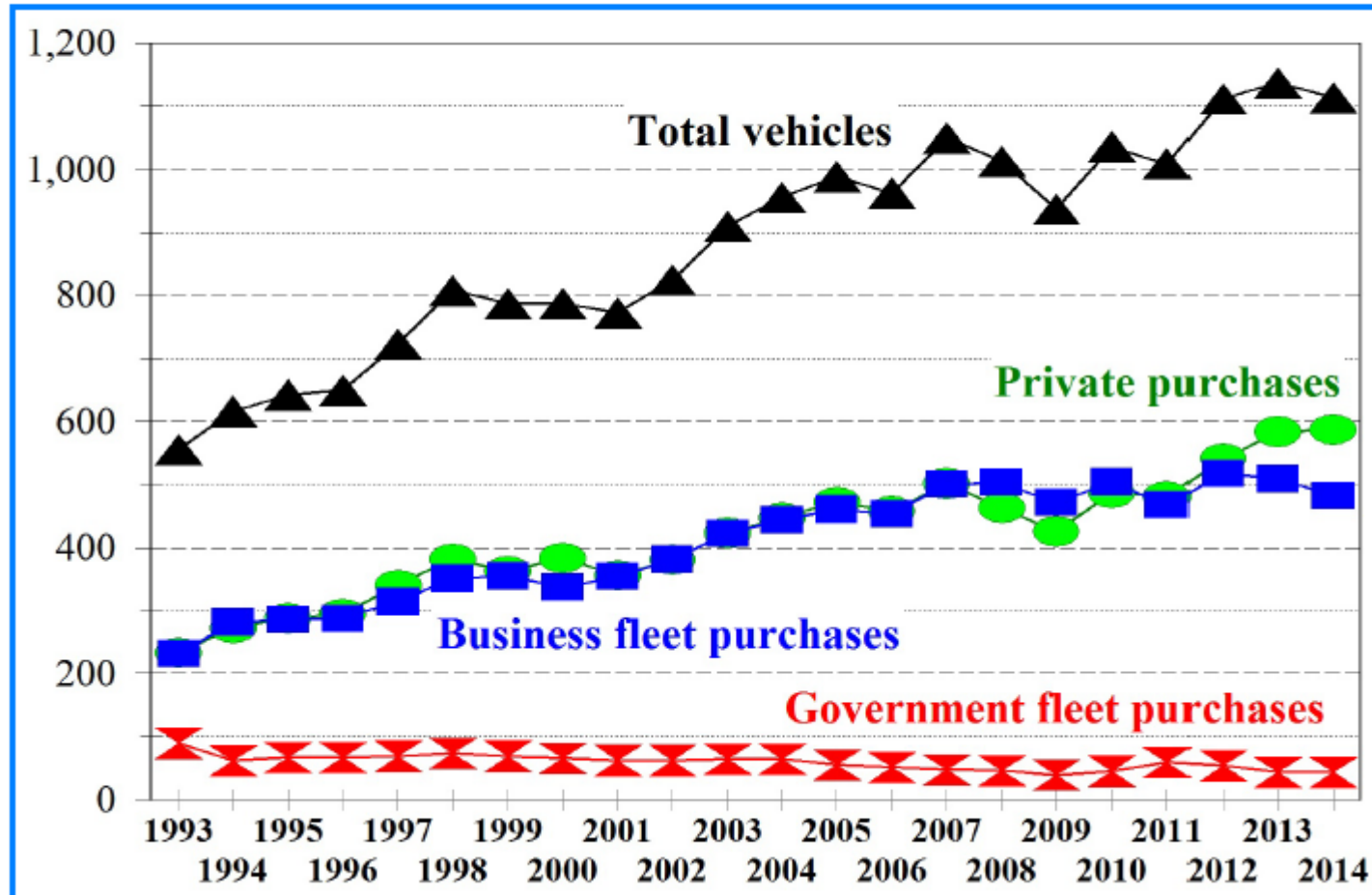


***Expect Hybrid / Electric to grow as fuel prices increase***



## VEHICLE SALES BY BUYER TYPE

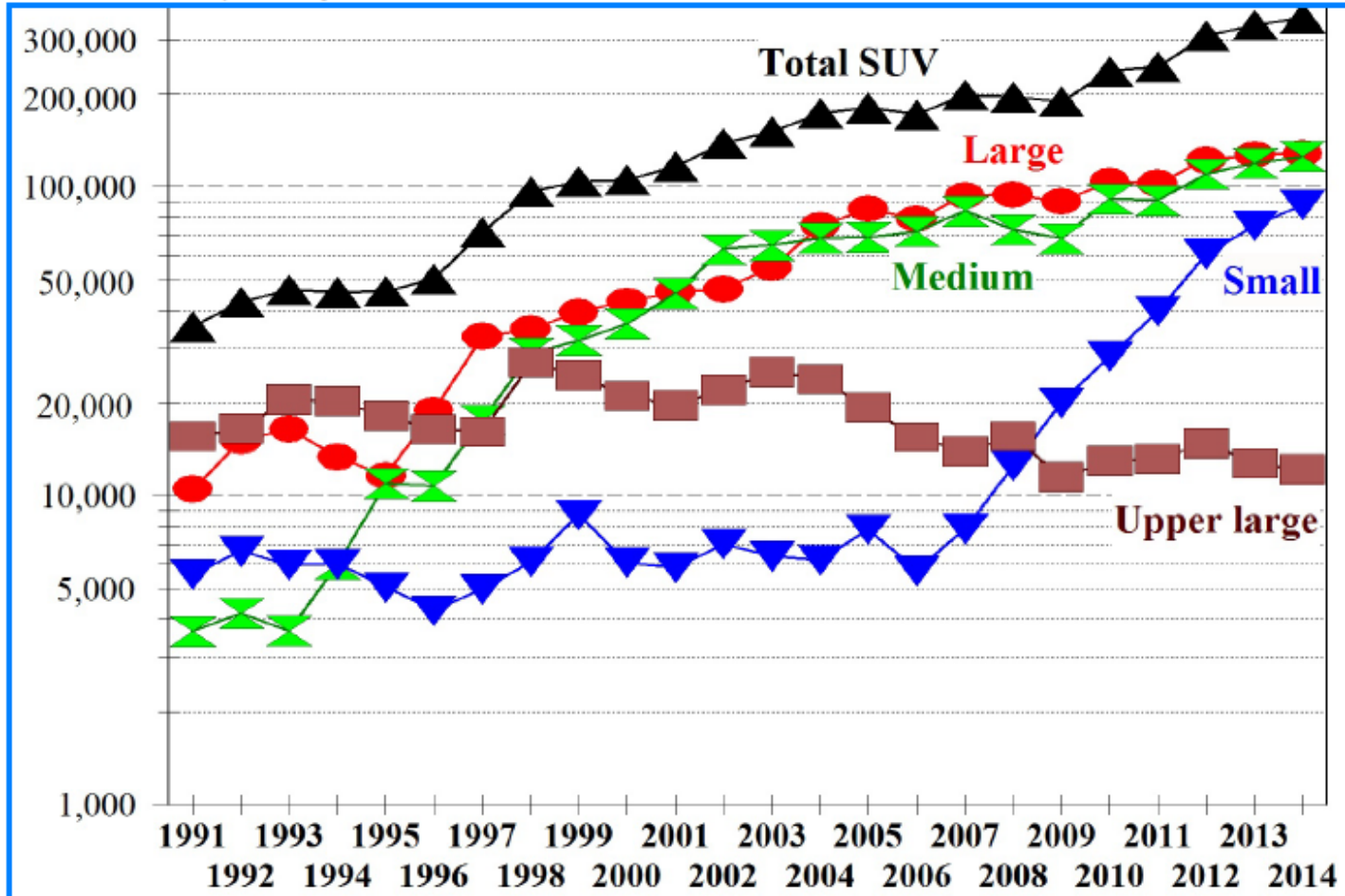
Thousand vehicles; calendar years



*Retail Sales have pushed the market - Fleet and Government stable*

## SPORTS UTILITY VEHICLE SALES BY SEGMENT

Vehicles; calendar years; logarithmic scale

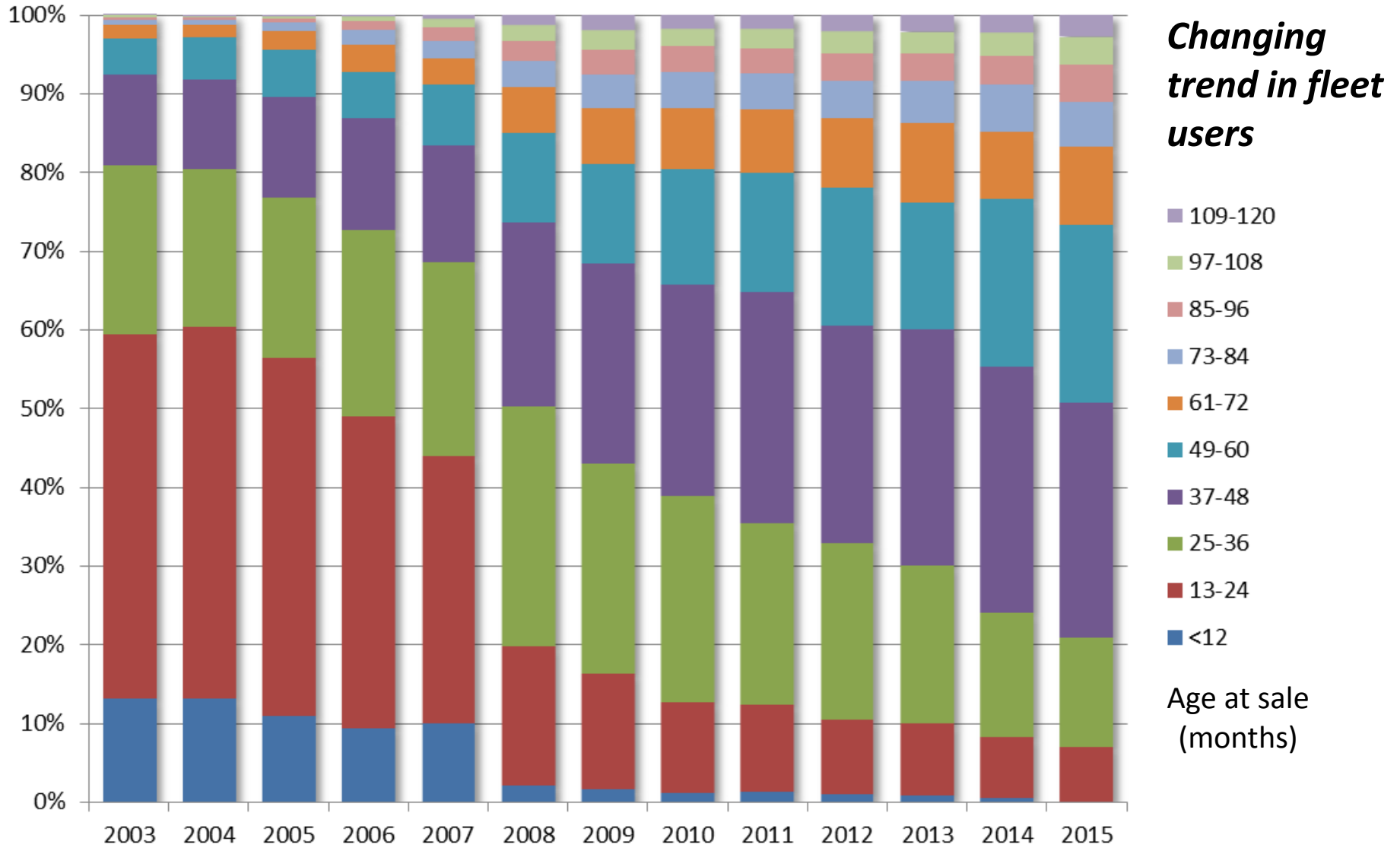


*SUV growth all in small SUV – new segment*

# Used Market Auction Data



## Changing profile of vehicles sold at Auction

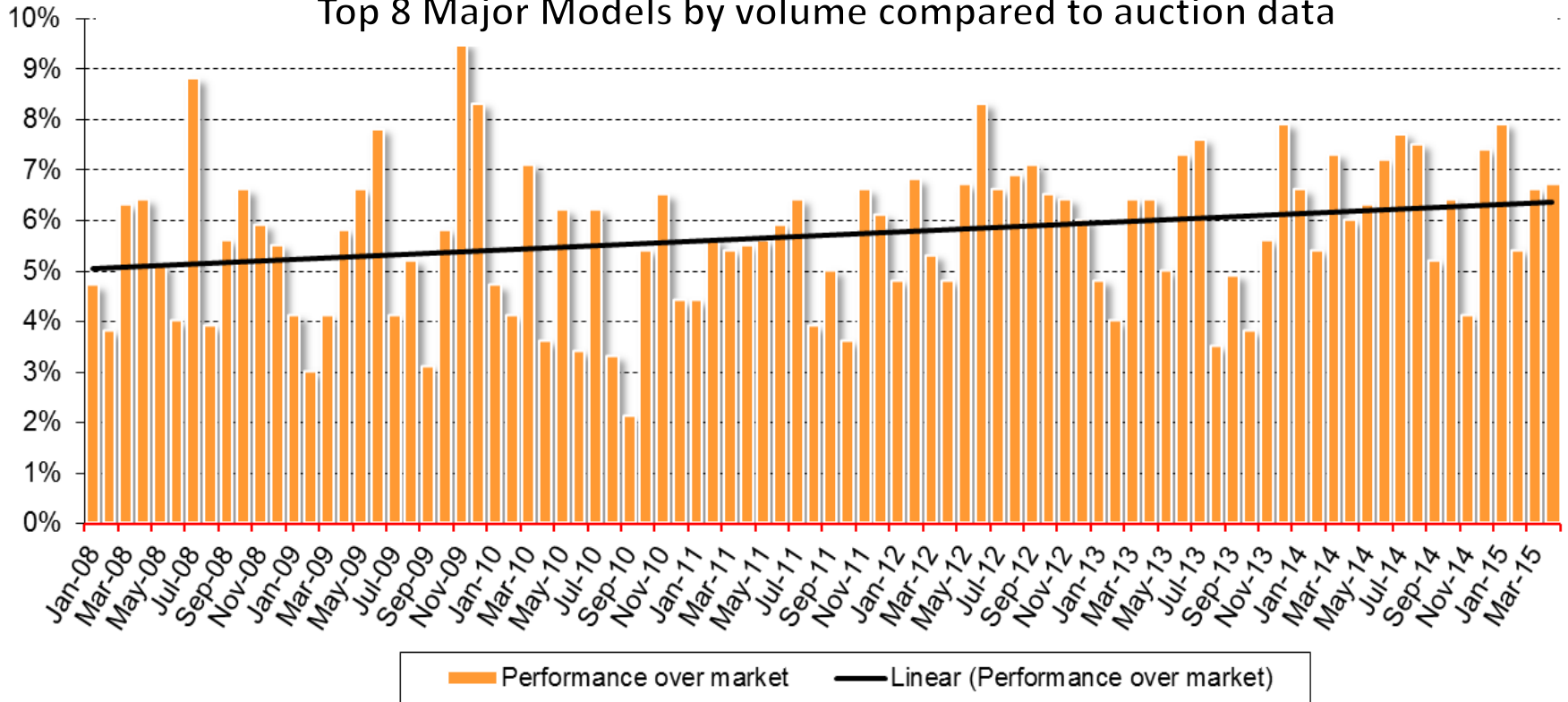


# Over Market Performance

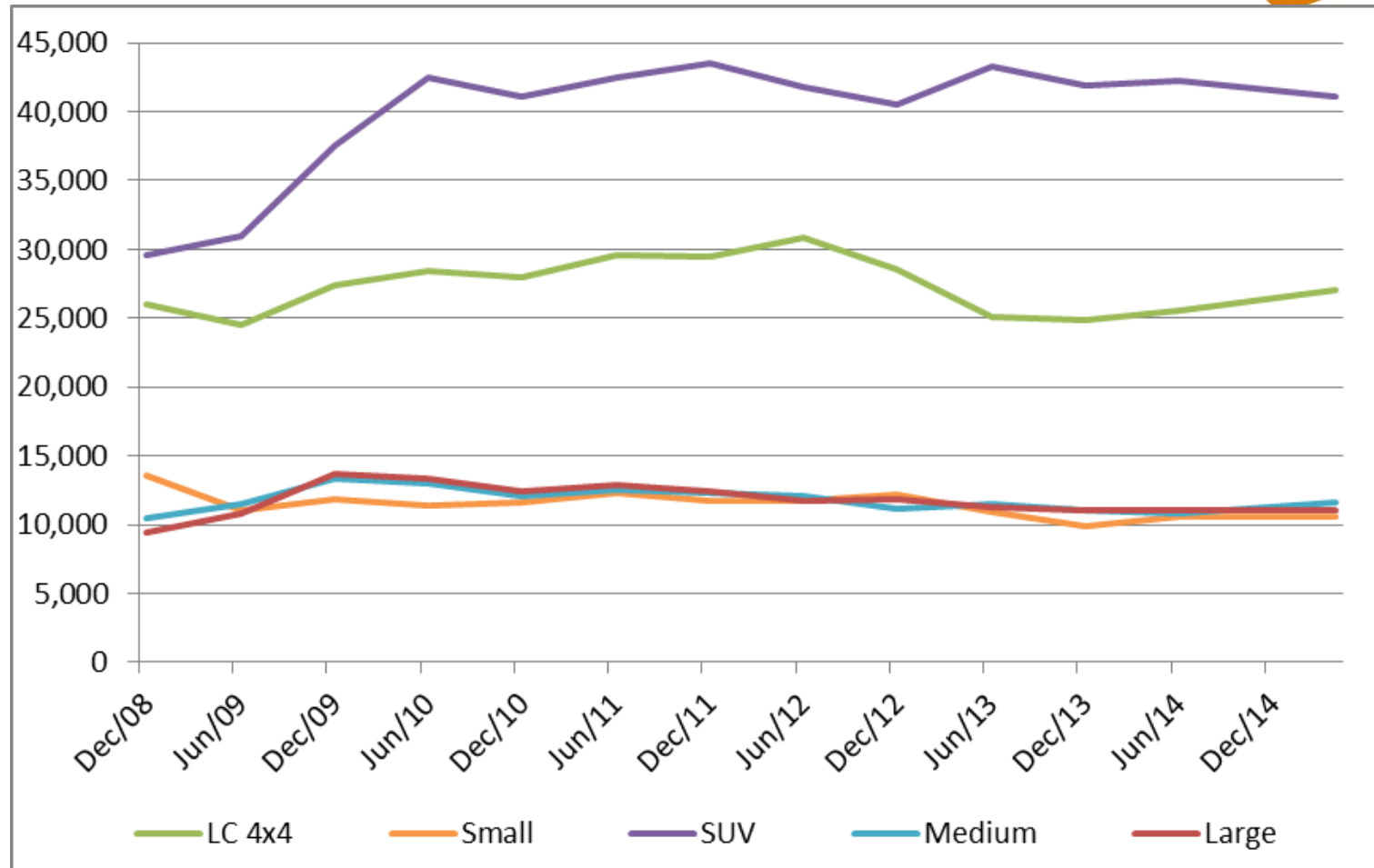


## Performance Over Market

Top 8 Major Models by volume compared to auction data



# Used Market Auction Data



Data based on:

LC = Hilux 4x4 3.0TD, Small = Corolla, SUV = Prado 3.0TD, Medium = Camry, Large = C'dore

***Market reasonably stable***

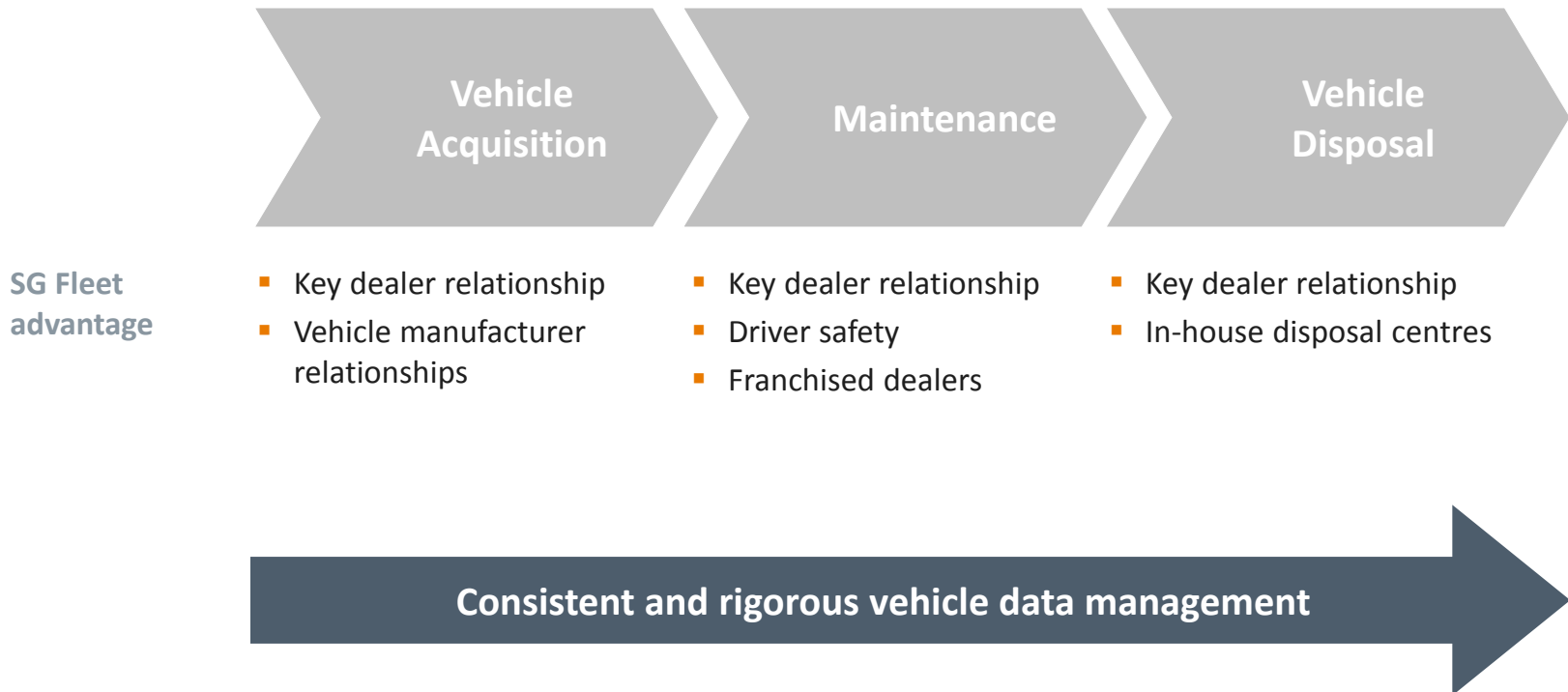
# Risk Management Process





## Underpinning the full vehicle life-cycle

- SG Fleet maximises buying power, disposal results and ongoing maintenance costs through its 'Preferred Dealer' network
- The relationship model encompasses the full vehicle life-cycle



## Live Vehicle Information

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- Dedicated and experienced data management Team
- Fed by live new vehicle pricing data from market leading providers
- Over 9,300 (UK), 3,200 (Aus) and 1,400 (NZ) vehicle derivatives on systems
- 500 (UK) and 300 (Aus/NZ) price changes per month
- 200 (UK) and 100 (Aus/NZ) new and replacement models added per month
- 2,579 data points for each model derivative (Aus)

## Vehicle Management Diagnostics

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- Market analysis for acquisitions, maintenance and disposals
- Monthly reporting
- Vehicle ordering volumes tracked and monitored by model
- Quarterly RV matrix review
  - Matrix integrity
  - Closed loop process
- Quarterly maintenance matrix review
- Client and manufacturer presentations
  - Enhance client relationships
  - Increase customer retention
  - Justification of price movements



# Vehicle Disposal Model

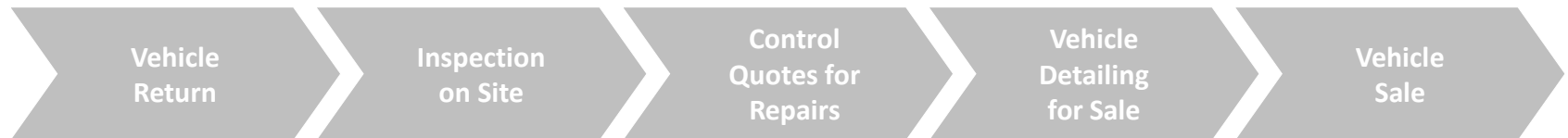
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- Disposal model introduced at SG Fleet in 2006
- SG Fleet controls the destiny of all vehicles
- “Touch the Metal” in all regions and own the outcome
- Major point of differentiation – consistently outperform auction results

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## Australian Disposal Model



## Passenger

1. All RVs reviewed quarterly
  - Weekly addition of new models and upgrades
2. Valuation undertaken quarterly
  - 2 processes
    - Internally developed model
    - External Glass's tool
  - Reviewed by External Audit

## Commercial

1. RVs of mainstream models reviewed quarterly
    - All high cost or unusual models done individually
  2. Valuation undertaken quarterly
    - Detailed process using auction results
    - Access to extensive market research
    - Reviewed by External Audit
-

- People
    - Extensive industry experience and daily involvement
  
  - Process
    - Quarterly reviews using a committee approach or more frequently if required
  
  - Data
    - In-house tools to analyse data
- Additional considerations
    - Model life cycles
    - Pricing/discount trends
    - New/used vehicle volumes
    - Brand quality and market acceptance/performance
    - Likely segment trends
    - Market intelligence (impending price cuts, new models etc.)
    - Global considerations
    - Fuel Impacts – Petrol, LPG, Diesel
    - Auction Results
    - Industry statistics
    - Legislative
    - Manufacturer/importer strategies
    - Rental car market activity
    - Exchange rates
-

## A Core Business Competency



- Industry recognised Team
- Hands-on vehicle sales experience

- Analysis used to influence future residual value setting

- Values are set by the teams that sell the vehicles at the back-end

- RV Setting Committee recommend and justify their matrix positions to Global RV Head, then to Country MD

**Assets are treated individually, not commoditised**

# Questions

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# Business Glossary





## Glossary

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Note: "the Company" refers to SG Fleet. Terms in italics are defined elsewhere in this document.

### A

**Accessories revenue:** revenue from the sale of additional after-market accessories and options on delivered vehicles as chosen by the customer. *Accessories revenue* is included in the *additional products and services revenue* line in the Company's financial accounts.

**Accident management:** the provision of services, through an external accident management provider, that ensure vehicles are repaired and made roadworthy. *Accident management* revenue is included in the *additional products and services revenue* line in the Company's financial accounts.

**Ad hoc project income:** revenue received for the execution of one-off *fleet management* related projects requested by customers. *Ad hoc project income* is included in the *Other income* revenue line in the Company's financial accounts.

**Additional products and services revenue:** revenue generated from the sale of after-market accessories and extended warranties, *registration management*, *accident management*, roadside assistance fees, and brokerage payments from insurance providers. *Additional products and services revenue* is received upfront and on an ongoing basis. See also: *insurance income*, *accessories revenue*.

**Asset usage:** the use of the asset or vehicle, as reflected in duration and intensity of use, fuel consumption, usage incidents, and other parameters. See also: *Bookingintelligence*.

**Average maintenance income per unit:** total maintenance fees received for *fully maintained* vehicles divided by the total number of *fully maintained* vehicles. See also: *management and maintenance income*.

**Average profit/loss per vehicle:** total profit/loss upon *disposal* of vehicles at *termination* of an *operating lease* divided by total number of *operating lease* vehicles disposed of. See also: *end of lease income*.

**Ancillary fleet:** vehicles for which the Company renders minor *fleet management* services, such as *fuel management* or *toll management*, but for which the Company is not performing maintenance management or *registration management*. The *ancillary fleet* is not included in *fleet size*.



## B

**Bookingintelligence:** proprietary web-based solution facilitating administration and management of resources. Users of 'Bookingintelligence' can book resources, such as vehicles, for temporary use and administrators can allocate these resources in an efficient manner to optimise *asset usage*.

**Broker market:** a market in which financial services brokers act as intermediaries for customers to source certain services, including *fleet management, funding and leasing* of vehicles. This is a feature of the UK market.

**Budgeted fuel:** a fuel model offered to customers whereby the Company determines a fuel budget for a vehicle, taking into account the vehicle type and expected kilometres. This budget is charged to the customer progressively over the lease term, ensuring that the customer's fuel costs are evenly spread over the life of the lease. Costs are allocated against the budget as they are incurred and the actual costs are reconciled against the fuel collected at the end of the lease term. Any shortfall is charged to the customer and any surplus is returned to the customer.

**Budgeted maintenance:** a maintenance model offered to customers whereby the Company determines a maintenance budget for a vehicle, taking into account the vehicle type, lease term and expected kilometres. This budget is charged to the customer progressively over the lease term, ensuring that the customer's *maintenance costs* are evenly spread over the life of the lease. Costs are allocated against the budget as they are incurred and the actual costs are reconciled against the maintenance collected at the end of the lease term. Any shortfall is charged to the customer and any surplus is returned to the customer.

**Buying power:** the selection, pricing and sourcing advantages generated by the Company by virtue of the large volume of items (vehicles, parts, etc.) purchased.





## C

**Commercial fleet:** vehicles with a Gross Vehicle Mass of over 8 tons.

**Contract close-down:** the process of managing the end of the contract term, including the in-advance ordering of replacement vehicles, arrangements for vehicle returns, and end of lease reconciliation and billing. See also: *end of lease settlement*.

**Contract hire:** UK term for corporate *operating lease* products.

**Contract variations:** arise when a vehicle is travelling outside its original parameters, for example lower or higher kilometres, or lower or higher fuel or maintenance usage. In this situation, the Company would suggest a *contract variation* to the customer. Also referred to as *restructures*.

**Conversion rate:** (1) the percentage of *tenders* won, (2) the percentage of a company's employees eligible for *novated leases* as part of their remuneration package that opt to include such a lease in their package, or (3) the percentage of *novated lease* enquiries that are converted into orders. See also: *tender conversion rate* and *driver penetration*.

**Corporate:** refers to (1) the corporate *fleet management* business (i.e. where the vehicle is 'tool-of-trade') within the Company's business (as opposed to the *salary packaging* business, or (2) the corporate (company) customer type, as opposed to government or individual customers.



## D

**Deliveries:** the physical delivery of a new vehicle to the customer.

**De-novation:** the process whereby the employee transfers the lease obligation to the employer.

**Depreciation expense (on vehicles):** depreciation of *operating lease* vehicles on balance sheet, either still within their lease term or in inertia.

**Disposal:** see *vehicle disposal*.

**Disposal proceeds:** the \$ value received for an *operating lease* vehicle when the vehicle is sold at the end of its lease term.

**Disposal volume:** the total number of *operating lease* vehicles disposed of at end of lease within a certain reporting period.

**Driver identification:** the identification of the individual driving a particular vehicle at a particular time via *telematics* or other *usage* measurement capabilities.

**Driver penetration:** (1) the percentage of a company's employees eligible for *novated leases* as part of their remuneration package that opt to include such a lease in their package, or (2) the efforts by the Company to increase the take-up of this option by eligible employees.

**Driver sign-up:** see definition (1) under *driver penetration*.

**Driversafety Intelligence:** the use of individual risk assessments, based on driver experience and business travel requirements, to develop individual, relevant and focused on-line training, addressing a range of vehicle, environmental and driving risks. *Driversafety Intelligence* yields both employee safety and *vehicle usage* benefits.



## E

**Early termination income:** fees received for the voluntary *termination* of a contract by a customer prior to its scheduled termination date. These fees are included in the *Other income* revenue line in the Company's financial accounts.

**Employee benefit expense:** expense line in the Company's financial accounts covering wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, long service leave and defined contribution superannuation expense. The cost of the in-house development of technology is also included in the *employee benefits expense* cost line.

**End of lease income:** gains upon *disposal* of the *operating lease* vehicle at *termination* of a lease, and revenue from *unfair wear and tear* and other *contract variations* invoiced to the customer returning the vehicle. *End of lease income* is received at the end of an *operating lease*. See also: *vehicle disposal, residual value*.

**End of lease settlement:** lease reconciliation and billing of outstanding accounts and fees with a customer at the end of the lease contract. *End of lease settlement* is part of the *contract close-down* process of managing the end of the contract term.

**End-to-end fleet management:** the concept of *fleet management* provided for the full life of the asset, from *vehicle acquisition*, through *in-life services*, to *disposal*.

**Extension:** the continuation of a lease contract beyond the originally agreed end date on request of the customer or as a result of a customer not acting on end of lease notifications. *Extensions* can be 'formal' or 'informal'. When the term *extension* is used without specification, it generally refers to *formal extension*, while *inertia* refers to *informal extension* and vice versa.



## F

**Finance lease:** a lease arrangement whereby the Company provides the customer with exclusive use of the vehicle for the life of the lease. The customer bears the *residual value risk* and provides a capital indemnity to the Company for any shortfall between the market value of the vehicle at the end of the lease and the *residual value*. The Company arranges *funding*. It differs from an *operating lease*.

**Fleet managed:** a *fleet managed* arrangement is a business-to-business arrangement based on an outsourcing contract under which the Company provides a range of *fleet management* services to the customer, but does not arrange *funding*. At the end of the contract, the customer can elect for the Company to dispose of the vehicle on its behalf. The customer bears the *residual value risk*. See also: *funded* and *unfunded*.

**Fleet management:** the provision of services to a customer through the lifecycle of an asset (vehicle), including *vehicle acquisition* (finance and procurement), *in-life services* and *disposal*.

**Fleet management costs:** a cost line in the Company's financial accounts that represents (1) the costs of maintaining the *fully maintained* fleet, including maintenance expenses such as servicing and repairs, registration, insurance, road side assistance and *accident management*, and (2) the cost associated with new *deliveries*, including the cost of after-market accessories chosen by the customer to be added to the vehicle and sales commissions paid to the Company's employees. *Fleet management costs* typically increase in line with the number of *fully maintained* vehicles, the number of new vehicle *deliveries* and the *penetration* of accessory sales on new *deliveries* and, to a lesser degree, the overall size of the fleet.

**Fleet number:** see *fleet size*.

**Fleet size:** refers to (1) the total number of vehicles managed by the Company, or (2) the total number of vehicles in the fleet of one customer. With regards to (1), a vehicle is only counted as being part of the fleet if the Company is, as a minimum, performing maintenance management or *registration management*. If the Company is not performing at least one of these services, the vehicle is counted as part of the *ancillary fleet*.

**Fleetintelligence:** a state-of-the-art technology product developed in-house by the Company that is used by internal and external fleet managers and customers to access key fleet information. 'Fleetintelligence' allows users to undertake online vehicle management transactions and provides a large suite of reporting options.

**Float:** funds held by the company, as agent for its customers, to cover future vehicle related expenditure.

**Formal extensions:** see *extension*.



**Fringe Benefits Tax (FBT) calculation methodology (vehicles):** the Australian Taxation Office (ATO) allows two methods to calculate the taxable value of a vehicle fringe benefit. The ATO defines (1) the *statutory formula* as a method “based on the number of days during the FBT year the car is available for private use by the employee, where “the taxable value of the benefit is a percentage of the car's value” and (2) the *operating cost method* (or *logbook* method) as a method that determines “the taxable value of the car fringe benefit [as] a percentage of the total cost of operating the car during the FBT year, based upon actual business/private usage of a car via maintenance of a car *logbook*”.

**Fuel management:** a service offering that forms part of an *end-to-end fleet management* service and deals with the sourcing of fuel cards, payment of fuel transactions and reporting on fuel *usage*. The Company has relationships with all major fuel card providers and can facilitate a *fuel management* program that is tailored to each customer's specific requirements.

**Full leasing services:** the provision of *funding* services to the customer in addition to full *fleet management* services.

**Funded:** a leased vehicle, i.e. a vehicle for which the Company has provided *funding* to the customer for its procurement.

**Funding:** the provision of *funding* to the customer for the procurement of a vehicle. The Company provides two key *funding* options: *operating leases* and *finance leases*. Funding is generally sourced under principal and agency relationships with third-party funders. The Company arranges finance approval for customers but always maintains the customer relationship.

**Funding commissions:** finance commissions received from third-party lease funders. *Funding commissions* are made up of upfront and trailing components.

**Fully maintained:** a maintenance model offered to customers whereby maintenance is included in the lease rental for the contracted term and kilometres. All *maintenance costs* attributable to normal use (up to the contracted term or kilometres) are authorised and incurred by the Company. Any costs attributed to driver abuse or neglect, are charged to the customer. A *fully maintained* model is an underwritten product that eliminates the risk of *maintenance cost* overruns for the customer and ensures an even payment profile over the life of the lease.



## I

**Inertia:** the continuation of a lease contract beyond the originally agreed end date as a result of a customer not acting on end of lease notifications. *Inertia* is a form of *extension* referred to as *informal*.

**Informal extensions:** see *inertia*.

**Infringement management:** a service offering that forms part of an *end-to-end fleet management* service and deals with the processing of infringement notices received by the customer and/or driver.

**Insurance income:** brokerage payments from insurance providers for the arranging of insurance cover for managed vehicles. *Insurance income* is included in the *Additional products and services revenue* line in the Company's financial accounts.

**Interest income on cash balances:** (1) interest on the Company's own cash, or (2) interest on the *float* of funds held for salary packaged *novated leases*. This source of revenue is included in the *Other income* revenue line in the Company's financial accounts.

**In-life services:** together with *vehicle acquisition* and *disposal*, the services that form part of the Company's *end-to-end fleet management* services provision. *In-life services* include: vehicle registration and renewal, scheduled vehicle servicing, tyre replacement, fuel cards, insurance, accident management and maintenance, *toll management* services, traffic infringement notices management, roadside assistance, contract revisions, reporting and invoicing, and contract renewal for *informal extensions*.

**In-vehicle asset management:** the use of *telematics* tools that allow the fleet manager to monitor and communicate with the vehicle fleet via the internet. A complete reporting suite creates a close-to-real-time integrated *fleet management* functionality.



## L

**Lease funder:** the third party entity that provides the *funding* for the procurement of a vehicle.

**Lease terminations:** see *terminations*

**Leasing:** see *vehicle leasing*.

**Legislative environment:** see *regulatory environment*.

**Logbook:** refers to (1) an in-house developed tool that simplifies the record keeping requirements of vehicles used for business purposes. *Logbook* captures business trips and their purpose via a simple application or web based portal. The data from the completed log can be emailed directly to an employer or tax agent for record keeping and compliance purposes. It can also refer to (2) any *logbook* used for recording vehicle usage, possibly for the purpose of FBT calculation. The *logbook* method for calculating the taxable value of a vehicle fringe benefit is also referred to as the *operating cost method*. See also *Fringe Benefits Tax (FBT) calculation methodology (vehicles)*.



## M

**Maintenance cost:** the cost of maintaining the *fully maintained* fleet, including maintenance expenses such as servicing, repairs and tyre replacement. *Maintenance cost* is part of the *fleet management* costs line in the Company's financial accounts.

**Management and maintenance income:** monthly fees for *fleet management* services and maintenance income for *fully maintained* vehicles. *Management and maintenance income* is received on an ongoing basis. See also: *average maintenance income per unit*.

**Market share:** the Company's percentage share of the total market in a particular business area. No comprehensive data for the total size of the corporate *fleet management* or the vehicle *salary packaging* sectors in Australia is available. As a consequence, the Company's references to market share are to *estimated market share* only.





## N

**Non-tender:** contracts that are not awarded through a tendering process.

**Novated:** may refer to (1) a *novated lease*, or (2) the *novated* business within the Company's business portfolio.

**Novated lease:** a business-to-novated customer arrangement, based on a relationship between the Company and a corporate customer. The *novated lease* is a three way agreement between the Company, an employer and an employee comprising (1) a lease between the Company and the employee, and (2) a novation agreement that transfers certain obligations of the lease from the employee to the employer. The obligation to meet the lease payments sits with the employer, who deducts the payments from the employer's income. *Novated leases* are typically provided in the form of a *finance lease*, where the novated customer bears the *residual value risk*, but can also be provided as an *operating lease*. *Funding* is arranged by the Company.



## O

**Occupancy costs:** a cost line in the Company's financial accounts that represents the rent and associated costs, including repairs, maintenance, cleaning, rates and security of the Company's leased office space and its *vehicle disposal* warehouses.

**On-balance sheet fleet:** the fleet of vehicles for which the procurement *funding* was done on the Company's own balance sheet.

**Operating cost method:** see *Fringe Benefits Tax (FBT) calculation methodology (vehicles)*.

**Operating lease:** a lease arrangement whereby the Company provides the customer with exclusive use of the vehicle for the life of the lease. At the end of the lease, the customer is required to return the vehicle to the fleet manager in good condition (subject to 'fair wear and tear'). The Company arranges *funding* and bears the *residual value risk*. It differs from a *finance lease*.

**Optimisation:** the effort to optimise the *usage* of the vehicles in a fleet or to reduce the size of a company's fleet in order to minimise cost, for example by using data analysis made possible via *fleet management* technology platforms. The Company offers a range of sophisticated technology platforms and service packages that provide customers with the ability to analyse vehicle utilisation data, guide driver behaviour and optimise the use of their fleet.

**Other expenses:** a cost line in the Company's financial accounts that represents all other operating expenses. These include: telecommunications costs, travel and entertainment, marketing, insurance, professional fees, bank charges, acquisition or project related expenses which are generally non-recurring in nature. See also: *fleet management costs, employee benefits expense, occupancy costs and technology costs*.

**Other income:** *early termination income, interest income on cash balances, and ad hoc project income*. *Other income* is received on an ongoing basis and at the end of the lease.

**Outsourced fleet management:** *fleet management* activities that are outsourced by the company utilising a fleet of vehicles to an outside fleet manager.



## P

**Penetration:** can refer to (1) customer *penetration*, or the degree to which a customer takes up a variety of products and services from the same supplier, or (2) the percentage of outsourced fleet vehicles relative to the total vehicle registrations by companies or government departments in a particular geographical area or economy.

**Pipeline:** can refer to (1) the vehicle order *pipeline*, i.e. the number and \$ value of vehicles that have been ordered but have not yet been delivered, or (2) the tender *pipeline* or the number of tenders to which the Company is in the process of responding to or has responded and is awaiting the outcome.



## R

**Recharge fuel:** a pass-through fuel arrangement offered to customers whereby any fuel costs incurred by the Company on behalf of the customer are invoiced to the customer at the end of each month.

**Recharge maintenance:** a pass-through maintenance arrangement offered to customers whereby any service and maintenance costs incurred by the Company on behalf of the customer are invoiced to the customer at the end of each month.

**Recharge registration:** a pass-through registration arrangement offered to customers whereby any registration costs incurred by the Company on behalf of the customer are invoiced to the customer at the end of each month.

**Registration management:** a service offering that forms part of an *end-to-end fleet management* service and deals with the registration and renewal thereof of vehicles.

**Regulatory environment:** the Company's operating environment as influenced by federal and state regulations, such as import *tariffs*, *fringe benefits tax* rulings etc. Sometimes also referred to as *legislative environment*.

**Rental income:** revenue earned from vehicles on the Company's balance sheet. *Rental income* is received on an ongoing basis. See also: *on-balance sheet fleet*, *inertia*.

**Residual value:** the value of the vehicle at the end of its lease as estimated by the Company at the start of the lease. This is also the amount guaranteed to the financier. See also: *disposal proceeds*.

**Residual value risk:** the risk that the *residual value* set by the Company at the start of the lease contract is different from the *disposal proceeds* realised for the vehicle at *disposal*. The *residual value risk* is borne by the Company in the case of an *operating lease*, and by the customer in the case of a *finance lease* or *fleet managed* arrangements.

**Restructures:** see *contract variations*.

**Running cost:** the actual cost of operating a vehicle, including maintenance, repairs and fuel costs.



## S

**Salary packaging:** refers to (1) the *salary packaging* business within the Company's business portfolio (as opposed to the *corporate fleet management* business), where it provides salary packaged *novated leases* and associated vehicle management services to the employees of a range of corporate and government customers, or (2), generically, the provision of a broad range of employee benefit products, such as: *novated leases*, superannuation and meal and entertainment cards.

**Salary sacrifice:** an arrangement whereby an eligible employee of a company opts to forsake part of his or her pre-tax salary in exchange for other benefits, such as a vehicle lease.

**Service quality measurement:** a formal measurement methodology to gauge a customer's opinion of the quality of services provided to that customer. An example of *service quality measurement* is the Net Promoter Score methodology.

**Statutory method:** see *Fringe Benefits Tax (FBT) calculation methodology (vehicles)*.



## T

**Tariffs:** in the context of the Company's operating environment, *tariffs* generally refer to import *tariffs* on new and second vehicles, which may have an impact on *vehicle procurement* cost and *residual value*.

**Technology costs:** a cost line in the Company's financial accounts that represents the cost of the Company's IT systems, including its *fleet management* system and client interface systems. Technology costs include licence fees, supplies, maintenance. The cost of the in-house development of technology is included in the *employee benefits expense* cost line.

**Telematics:** on-board technology that allows capture of *vehicle usage* data and real-time transmission of that data to a central management point. Examples include GPS tracking and fuel consumption measurement. See also: *in-vehicle asset management*.

**Tender:** a formal invitation by a company or government department to competitively bid for the supply of products or services.

**Tender conversion:** refers to (1) the percentage of contested *tenders* won, or (2) the conversion of a won *tender* into actual vehicle *deliveries*.

**Tender conversion rate:** see *conversion rate*.

**Tender decision making process:** the process conducted by the party inviting the *tender* to decide to whom the contract will be accorded.

**Terminations:** the *termination* of a lease contract as originally scheduled, prior to or after that time. See also: *early termination income*.

**Toll management:** a service offering that forms part of an *end-to-end fleet management* service and deals with the processing, reporting and payment of road tolls. The Company's *toll management* service can consolidate toll *usage* from all toll road providers in Australia into a single reporting framework.

**Tool-of-trade:** refers to (1) vehicles used exclusively for work purposes, or (2) the Company's business offering related products and services.



## U

**Unfair wear and tear:** Wear and tear on the vehicle in excess of what is specified in a lease contract, taking into account the vehicle's age and mileage. For the purpose of a lease contract, *unfair wear and tear* constitutes a variation in the contract that attracts charges to be paid by the customer.

**Unfunded:** a vehicle for which the Company has not provided *funding* to the customer for its procurement. Also referred to as *fleet managed*.

**Usage:** see *asset usage*.

**Usage reporting:** the central gathering and processing of data about how a particular vehicle of fleet has been used, possibly through the use of technology platforms.



## V

**Valuation:** the quarterly process of marking to market the *operating lease residual value* exposure in order to assess the adequacy of the *residual value* provision.

**Vehicle acquisition:** the process of financing the purchase of a vehicle and its procurement from a supplier. Together with *in-life services* and *disposal*, the services that form part of the Company's *end-to-end fleet management services* provision. *Vehicle acquisition* services are also provided without *funding*.

**Vehicle delivery:** the physical *delivery* of a vehicle to a customer and part of the procurement stage of *vehicle acquisition*.

**Vehicle disposal:** the disposing of the vehicle at the end of its lease, such as via sale or sign-over. Together with *vehicle acquisition* and *in-life services*, the services that form part of the Company's *end-to-end fleet management services* provision.

**Vehicle leasing:** the *leasing* a motor vehicle for a fixed period of time at an agreed cost for the duration of the lease.

**Vehicle price quoting:** the sourcing of quotes for a vehicle from various vehicle suppliers and manufacturers by the Company's sales team.

**Vehicle procurement:** a stage in the *vehicle acquisition* process. Procurement involves pricing and quoting, purchase of vehicle, delivery and accessories.

**Vehicle replacement planning:** part of the *contract close-down* service process. *Vehicle replacement planning* ensures that any replacement vehicle is ordered in advance and available at the end of the current lease contract.

**Vehicle sourcing:** the process of locating and obtaining a specific vehicle.

**Vehicle usage:** see *asset usage*





## W

**Win rate:** the percentage of contested *tenders* won, also referred to as *(tender) conversion rate*.