

# Market Briefing

**Morgan Stanley**

**2015 Australian Emerging Companies Conference**  
Strategies to Deliver Growth in a Low Growth Environment

18 June 2015



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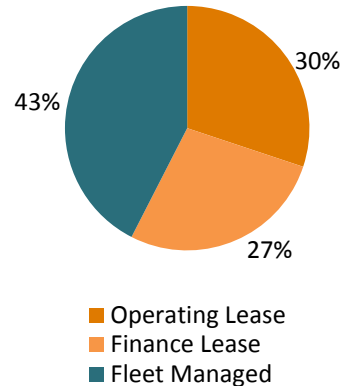
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# Leading, Diversified Fleet Manager

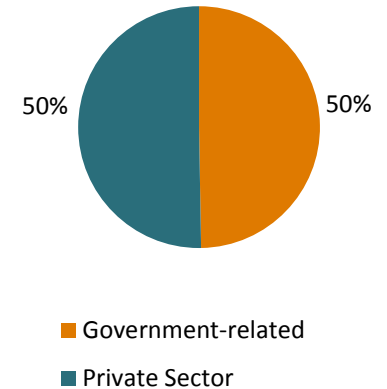


- ✓ Diversified business model, with leading position across both corporate and salary packaging sectors – presence in Australia, New Zealand and UK
- ✓ High quality, diverse and well-entrenched customer base across government and corporate
- ✓ Innovative service approach and strongly differentiated technology solutions
- ✓ Asset management expertise unique within the industry
- ✓ Low capital intensity funding model delivering attractive returns
- ✓ Attractive financial profile with diverse, highly visible fee-based revenue streams
- ✓ Strong embedded growth outlook, providing secure platform for step-change opportunities

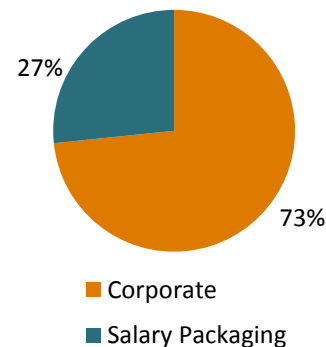
**Balanced Product Portfolio  
(By fleet size)**



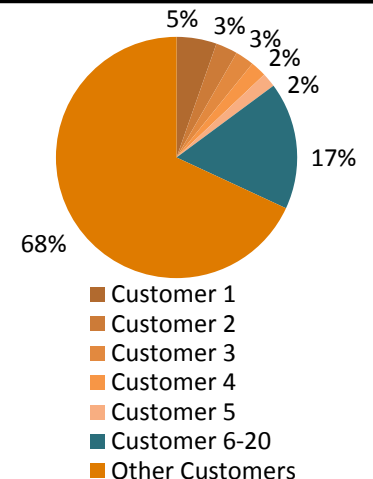
**High Quality Client Base  
(By fleet size)**



**Strong Sector Presence  
(By fleet size)**



**Diversified Client Base  
(By revenue)**



Fleet figures as at 31 December 2014  
Revenue information for fiscal year ending 30 June 2014

# Highly Visible Revenue Streams



## 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.

## Rental income

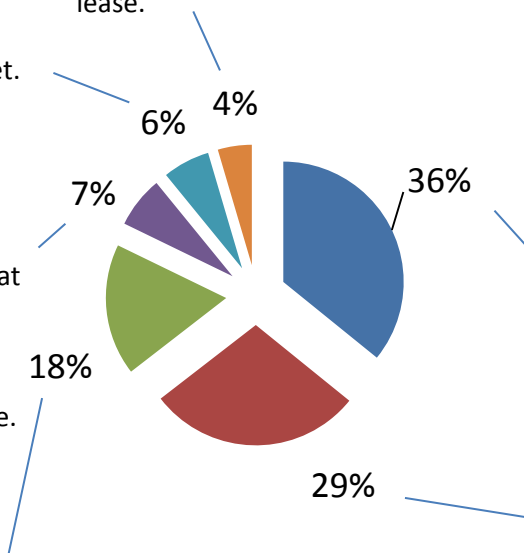
Revenue earned from vehicles on the balance sheet. Rental income is received on an ongoing basis.

## End of lease income

Gains upon disposal of the operating lease vehicle at termination of a lease, and revenue from unfair wear & 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.

## Funding commissions

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



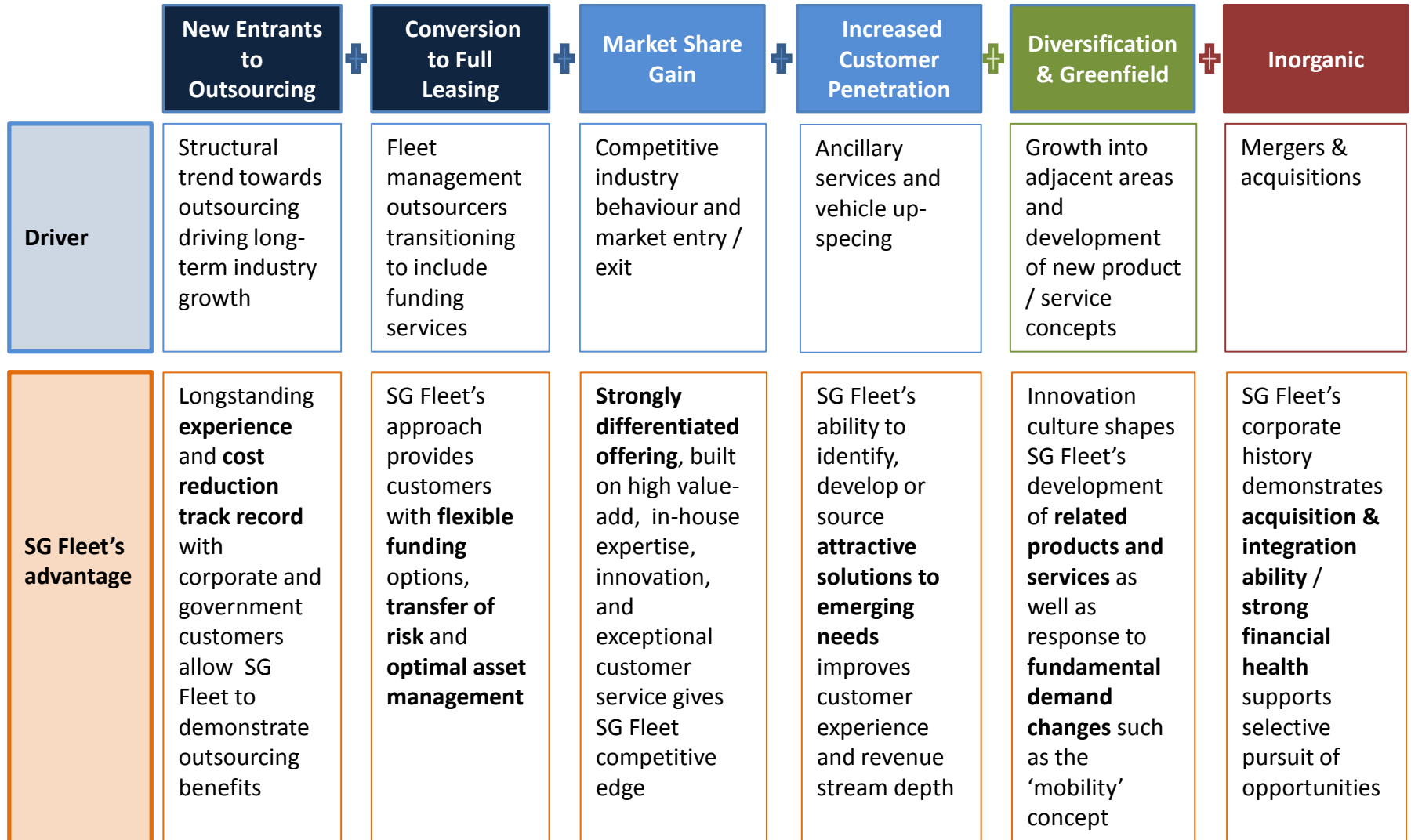
## Management and maintenance income

Monthly fees for fleet management services and maintenance income for fully maintained vehicles. Management and maintenance income is received on an ongoing basis.

## Additional products and services

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.

# Multiple Growth Avenue Options





## ➤ Structural Trends Support Continued Growth

### Benefits of Outsourcing and Leasing

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- Lower fleet costs through access to economies of scale and fleet optimisation
- Outsource non-core activity to focus on core business
- Greater budget and cash flow certainty
- Transfer of maintenance cost of vehicles
- Transfer of residual value risk
- Efficient capital allocation and balance sheet utilisation
- Provide remuneration benefits to employees through salary packaging

### Outsourcing Penetration

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- Tailor-made, modular services increasingly reliant on purpose-developed technology
- Increased sophistication of offering supports trend towards specialist outsourced services
- Novated concept awareness and acceptance strong

Market Share Gain



Increased Customer Penetration



## ➤ Strongly Differentiated Capabilities

- ✓ Unique combination of 27 years of in-house expertise and access to international best practice through global alliance
- ✓ IT systems and advanced customer-facing technology are key differentiators

**fleet**intelligence

**booking**intelligence



- ✓ Industry leadership in Work Health & Safety applications

**driversafety**  
intelligence



Enhanced offer to targeted new clients  
Greater penetration of existing customers  
Barrier to entry  
Improved profitability



## ➤ Looking Ahead: Mobility On-demand

- Technological advancement will allow for a rethink of how we use a vehicle
  - Hybrid / electric vehicles with in-car telematics
  - Availability of ultra-detailed travel and transport information will allow for pooling / sharing and interaction with other modes of transport in a changing cityscape
- We constantly innovate – adapting services to provide an evolving mobility solution
  - Channeling massive amount of telematics data into productive use: efficient management and allocation of the transport asset, driver and passenger safety
- We are well positioned to take advantage of the emerging ‘Internet of Things’ to deliver unique and innovative services
  - Existing infrastructure and strong customer base can support these initiatives
  - Very mature and robust technology foundations



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



# Operating Environment - Australia

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- Well-received Budget, but economic confidence affected by global slowdown and resource prices
  - Tender length and process patterns improved marginally on 2H14
  - Tender process length reflecting increased sophistication of offering, more elaborate assessment of proposals, procurement consultant involvement
- States progressing with outsourcing options assessment
- Regulatory environment
  - Import tariff change and new vehicle imports: impact on business negligible
- RV trends
  - Stable trading environment for second hand vehicles
- Competitive behaviour
  - Steady: mostly rational, with occasional aggressive tactics

## Corporate

- Tenders:
  - Pipeline remains full
  - Selective, focused tendering
  - Strong win rates maintained
- Non-tender environment:
  - Pursuing select opportunities in smaller to medium end of market
  - Un-tendered contract renewals

## Salary Packaging

- Further strong progress in Corporate and Government segments

## Recent Developments

- ✓ Trans-Tasman win in agriculture sector
- ✓ Commercial vehicle fleet win
- ✓ Major bank contract renewal without tender
- ✓ ACT Government opt-in to Federal Government contract – helped by very positive Federal feedback
- ✓ Australian arm of major international professional services firm – first orders taken
- ✓ Multiple Supplier of the Year wins



# Operating Performance – UK / NZ



- United Kingdom



- Economic confidence strengthens as result of decisive election outcome – operating environment positive
- Feedback on product offering very favourable – continued growth in client base / recent order pipeline growth encouraging

- ✓ Recent salary packaging scheme launches (300 to 1,000 eligible employees range) in widening range of industries: education, infrastructure/energy, corporate services, agriculture
- ✓ Sole supply tool-of-trade wins in corporate and financial services sectors

- New Zealand



- Fleet management market activity remains buoyant, with strong pipeline growth
- Taking full advantage of established relationships with local financial institutions to pursue add-on opportunities

- ✓ Trans-Tasman client win on back of new novated relationship in Australia
- ✓ Further wins in corporate services and agricultural sectors
- ✓ Pursuing significant opportunity in transport sector
- ✓ Demand from government customers increasing

# Summary

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- ✓ Established market presence
- ✓ Quality customer book and relationships
- ✓ Strongly differentiated and high value-add product and services offering
- ✓ Operating in industry supported by long-term structural trends
- ✓ Combination of highly visible revenue streams with step-change potential
- ✓ Ability to grow via multiple concurrent avenues
- ✓ Innovation culture provides edge in rapidly evolving demand landscape
- ✓ Sound financial profile
- ✓ Focus on continued shareholder value creation

# Questions