SG Fleet Group Limited
ABN 40 167 554 574

www.sgfleet.com

PO Box 252
PYMBLE NSW 2073

Telephone: (02) 9494 1000
Facsimile: (02) 9391 5600

ASX announcement

SG Fleet continues on growth path, material nlc acquisition benefits quantified

- **1H16 NPAT $19.7m (u/c), NPATA[1] (excl. nlc acquisition costs) $23.3m, up $17.1% on pcp**
- **PBT (excl. nlc contribution) up 10.1%, margin 34.6% vs. 33.5% pcp**
- **Fully franked interim dividend of 5.223cps, up 10.5% on pcp**
- **Fully-phased annual synergies of $6-8m after 3 years of nlc ownership**
- **Upside to 25% cash accretion in first full year of nlc ownership**

15 February 2016

SG Fleet Group Limited ('SG Fleet' **/** ASX: SGF) today announced a $19.7 million Net Profit After Tax ('NPAT') for the first half of the 2016 financial year ('1H16'), unchanged from the previous corresponding period ('1H15'). During the reported period, SG Fleet acquired nlc, a specialist manager and provider of novated leases, consumer vehicle finance and vehicle sourcing services. Excluding the associated acquisition costs, NPATA[1] was $23.3 million, up 17.1% on 1H15.

Total revenue for the reported period was $93.3 million, an increase of 9.3% over the previous corresponding period. Total expenses excluding the nlc acquisition costs increased at a lower rate (7.4%), to $61.0 million. Further progress was made at the Profit Before Tax margin level, from 33.5% in 1H15 to 34.6% in 1H16. Cash Earnings Per Share was 8.28 cents, or 9.57 cents when excluding nlc acquisition costs.

SG Fleet's Board has declared a fully franked interim dividend of 5.223 cents per share[2], an increase of 10.5% on the previous corresponding period.

Momentum continues

SG Fleet's Chief Executive Officer, Robbie Blau, noted that the Company was able to maintain the momentum it had built over preceding reporting periods and meet its underlying profit growth objectives. "Revenue and fleet growth has been achieved in the context of a mixed economic environment and intensified competition. It is evidence of the strength of our competitive position and the success of our efficiency drive that we were able to do so while further enhancing our margins," Mr Blau said.

Australia

The increased focus of corporate Australia on greater internal efficiencies again drove demand for the Company's fleet management and funding services, with SG Fleet seeing a steady inflow of new opportunities despite the decline in economic sentiment. Government departments and corporates reviewing their vehicle fleet approach are responding well to the Company's continuous product innovation and service track record, and wins were recorded across various business areas and customer industries.

[1] Net Profit After Tax excluding amortisation and impairment of intangible assets on after tax basis

[2] Record date: 31 March 2016 / Payment date: 21 April 2016

"Our ability to clearly demonstrate the benefits of outsourcing non-core activities to a professional fleet manager offering an extensive suite of leading edge solutions has further strengthened our relationships with existing clients and continues to sharpen our competitive edge in the marketplace," Mr Blau said. "We have seen a number of uncontested contract renewals on the strength of our existing proposition and the scope of our services to customers continues to expand," he noted.

nlc

The acquired nlc business, which contributed one month of earnings to the SG Fleet Group results during the reported period, traded well throughout the six months to December 2015, to exceed its own internal forecasts. Strong margins and product renewal rates were maintained.

Integration of nlc into the SG Fleet Group fold continues in order to extract operating leverage benefits in terms of the products, expertise, sales, and customer books of both brands, as well as the scale of the combined business.

Mr Blau indicated that while the process was still in its early stages, SG Fleet was in a position to update its initial acquisition benefit assumptions. "On the basis of what we have already identified or achieved, we believe we can reach fully-phased annual synergies of about $6 to 8 million after three years of full ownership. We now also take the view that there is some upside to the 25% cash EPS accretion estimate we provided at the time of the acquisition announcement," he said.

New Zealand and UK

Continuing its progress from the previous six-month period, SG Fleet's New Zealand business took further advantage of a more benign economic climate to cement its position at the top end of the local market. The business won the much coveted KiwiRail contract and has set its sights on a number of other high-end Requests For Proposal currently in the market. Reflecting its steady growth, New Zealand notched up a number of in-profit months at the end of the reported period.

The UK business profited from a steady increase in interest for its salary packaging services and tool-of-trade offering during the half. Significant tenders came to market and the business successfully broke into the 10,000+ employee segment just after the end of the reported period, winning a salary packaging contract with global digital services provider Atos. Orders coming through from employees of previously won customers are steadily increasing in number and the UK is targeting in-profit months around the end of the current period.

Outlook

Mr Blau noted that in the first half of the 2016 financial year, the Company made further headway in terms of profit, further improved its margins and delivered strong returns for its shareholders. "We are confident we can continue to make progress. Wins have already been recorded across the business early in the current half. A number of other large scale opportunities are currently in-market and we feel we are in a strong position to compete for these contracts."

"At the same time, we will continue to extract the synergy opportunities provided by the nlc acquisition, whilst ensuring we retain our focus on business as usual," he said.

"Both SG Fleet and nlc continue to trade well, we believe there is some upside to our accretion estimate, and the synergies we identified confirm the healthy potential of the nlc acquisition. The combination of these outcomes puts us in a good position to achieve our objective of generating attractive, sustainable growth in returns for our shareholders," Mr Blau concluded.

For further information, please contact:

Yves Noldus
Corporate Services & Investor Relations Executive
SG Fleet Group Limited
Tel: 02 9494 1095 / 0401 416 686