SG Fleet Group
LIMITED

ASX Announcement

SG Fleet 1H17 NPAT up 35% to $26.6m on Continued Growth in Core Business and Contribution from Acquisitions

- **Underlying NPAT[1] $29.0m, up 27.2%**
- **EPS 10.53cps / Underlying Cash EPS 12.57cps (up 31.3%)**
- **Fully franked interim dividend of 7.536cps (up 44.3%)**
- **UK and New Zealand businesses in profit**
- **Integration programs on track**
- **FY17 Underlying NPATA growth guidance[2] increased to 22-27%**

14 February 2017

SG Fleet Group Limited ('SG Fleet' / ASX: SGF) today announced a $26.6 million Net Profit After Tax ('NPAT') for the first half of the 2017 financial year ('1H17'), an increase of 35.0% on the prior corresponding period ('1H16'). Underlying NPAT, which excludes acquisition-related expenses incurred during the reported period, rose by 27.2% to $29.0 million.

Total revenue generated during 1H17 was $133.6 million, up 43.2% on the previous financial year. Fleet Hire and Motiva, SG Fleet's two UK acquisitions during the period, contributed $13.2 million to the total.

The result equates to cash Earnings Per Share of 10.53 cents, or 12.57 cents when excluding acquisition-related expenses, an increase of 30.8% and 31.3% respectively over 1H16.

The Company has increased its underlying NPATA[3] growth guidance from 20-25% to 22-27%, including the forecast contribution from Motiva.

SG Fleet's Board has declared a fully franked interim dividend of 7.536 cents per share[4], an increase of 44.3% on the 1H16 dividend.

Growth continues

SG Fleet's Chief Executive Officer, Robbie Blau, noted that growth had been achieved in a competitive environment, and in the context of an uncertain economic climate. "Both the sgfleet and nlc brands continued their progress, and Fleet Hire and Motiva made an immediate contribution during the period. Integration of all acquisitions is progressing as planned," Mr Blau said.

---

[1] Underlying Net Profit After Tax = Net Profit After Tax before acquisition-related expenses incurred during the reported period.

[2] Including the forecast contribution from Motiva

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

[4] Record date 30 March 2017, Payment date 20 April 2017

Australia

Competition for what continues to be a healthy pipeline of opportunities intensified towards the end of the reported period, a pattern which the Company believes to be unsustainable. “While we have walked away from some new opportunities for this reason, we have been successful in extracting additional revenue from existing accounts,” Mr Blau said. “We converted some fleet managed customers to full leasing and our new mobility solutions, including GoGet, are receiving increased interest. Integrated telematics applications in particular have seen solid take-up. We have a number of signed contracts as well as several further trials, including with some large government agencies,” he noted.

SG Fleet reported funding margin pressure in the corporate and commercial segments at its FY16 results announcement, as well as a greater prevalence of residual value profit share arrangements. “We think it is unlikely that margin pressure will intensify further and the profit share trend has now stabilised,” Mr Blau said.

At the start of the reported period, the Company on-boarded the 21,500-unit fleet awarded under the NSW Government contract. To ensure a seamless process, SG Fleet temporarily paused certain phases of its system conversion project, which in turn necessitated a pause in the nlc integration process.

“With the on-boarding now complete, we have reactivated the system conversion process and restarted the full nlc integration program, which will now enter a key synergy extraction phase. We also continue to evolve the NSW contract from the initial product by presenting additional value-add solutions to the government agencies,” Mr Blau observed.

Separately, the Group was appointed to the Queensland novated panel and started to write its first deals at the end of the reported period.

In the novated business, weak consumer sentiment has led drivers to novate more second hand vehicles or extend existing arrangements, which affected commissions and delivery numbers to some extent. Mr Blau noted that a return of a more positive retail environment is likely to see the resulting backlog unwind relatively quickly.

United Kingdom

During the period, SG Fleet acquired the Fleet Hire and Motiva businesses in the UK. The combined operations benefited from a relative return to normal in the economy after the Brexit vote. A further positive was the UK Government’s reiteration of its commitment to the existing car salary sacrifice structure in its Autumn Statement, which saw some changes to the emissions categories applied to tax benefit calculations.

“Not surprisingly, in the consultation period prior to the Autumn Statement, employers and employees opted to postpone their decisions, and this led to a temporary slowdown in the salary sacrifice segment of our combined UK business. Despite that, overall portfolio growth continued and after the Autumn Statement provided clarity, we saw a prompt resumption of salary sacrifice scheme launches,” Mr Blau noted.

“Fleet Hire and Motiva provide us with an expanded offering to a larger customer book, as well as a number of synergy opportunities. The impact of these will start to play out in the current period. This clearly allows us to build further on what has been our first profit period in this market,” he said.

New Zealand

In New Zealand, SG Fleet continued where it left off in the 2016 financial year and achieved growth by signing up new customers as well as by widening the range of products and services sold into existing accounts. Supported by strong corporate and consumer sentiment, business activity in this market has been buoyant, with a number of major RFPs currently in the pipeline.

“We are aiming to maintain our win rates and further drive the take-up of telematics applications and our electric vehicle range,” Mr Blau pointed out. “New Zealand again raised the profit contribution it made to the Group in 1H17 and we expect to maintain that progress,” he said.

Growing value-add and scale

Mr Blau pointed out that SG Fleet continues to be able to generate growth in a challenging environment. “Across the Group, demand for new, higher value-add solutions, in particular telematics, is gaining momentum and we believe we are at the forefront in terms of being able to deliver these integrated solutions. This will continue to support our new business development and customer penetration objectives,” he said.

“We now have critical mass in the UK and we are in a position where both our overseas businesses contribute to Group profits. The three acquisitions we made in the last 18 months are all contributing strongly and integration of these acquisitions progresses as planned. We very much continue to explore further opportunities to add scale, with the active support of our majority shareholder,” 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