SG Fleet Group
Integrated Mobility

ASX Announcement

SG Fleet Reports $59.6m Profit, Driven by Organic Growth and Acquisition Contributions

- **FY17 NPAT $59.6m, up 26.9% on FY16**
- **Underlying NPATA[1] $68.7m (up 27.2%) – marginally ahead of guidance range**
- **EPS 23.58cps / Underlying Cash EPS 27.17cps (up 24.8%)**
- **Fully franked final dividend of 9.265cps / FY17 total 16.801cps (up 30.7%)**
- **UK in profit / New Zealand doubles profit**
- **Integrations on track**

14 August 2017

SG Fleet Group Limited ('SG Fleet' **/** ASX: SGF) has reported a $59.6 million Net Profit After Tax ('NPAT') for the 2017 financial year ('FY17'), up 26.9% on the prior corresponding period ('FY16'). Underlying NPATA increased by 27.2% to $68.7 million, topping its guidance range, which was provided by the Company at its 2016 AGM and revised upwards to $65.9 to $68.6 million at the time of its interim results announcement.

Total revenue for the reported period was $293.2 million, up 38.3% on the previous financial year. Expenses, excluding those related to acquisitions, increased by 47.1% to $203.2 million, with a significant part of the increase due to the on-balance sheet funding model used by the companies acquired in the UK.

Reported Earnings Per Share ('EPS') reached 23.58 cents, up 24.5%, while underlying cash EPS, which excludes acquisition-related expenses, was 27.17 cents, up 24.8% on the prior year.

SG Fleet's Board has declared a fully franked final dividend of 9.265 cents per share[2], giving a total of 16.801 cents per share for FY17.

Core businesses well supported by acquisitions

SG Fleet's Chief Executive Officer, Robbie Blau, said the Company had maintained good momentum across all of its businesses during the 2017 financial year in the context of a very competitive environment. "The continued integration of the nlc business acquired in the previous financial year and the addition of Fleet Hire and Motiva in the UK at the start of FY17 have ensured our inorganic growth opportunities have contributed strongly alongside the existing SG Fleet business," Mr Blau said.

Australia

Industry conditions stabilised as the year progressed, with some of the aggressive competitive tactics seen at the turn of the calendar year less prevalent towards the end of the reported period. Residual values remained strong, with manageable fluctuations in certain vehicle segments.

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[1] Underlying NPATA = Net Profit After Tax before acquisition-related expenses incurred during the period and excluding amortisation and impairment of intangible assets on an after tax basis.

[2] Record date 26 September 2017, Payment date 17 October 2017

“The mood within our corporate, fleet management business improved and we saw a significant number of opportunities, with some blue chip additions to our customer book. At the same time, we continued to extend our product range, adding services to a number of major customers,” Mr Blau said. “The split of our Australian presence into distinct corporate and consumer channels, first flagged at the 2016 results, delivered an enhanced focus and optimised processes and this positively influenced the performance of these businesses,” he noted.

Major developments during the year included the on-boarding of the NSW Government contract, which was won at the end of the previous financial year. The NSW contract has evolved from the initial product as additional value-add solutions are now being provided to various agencies within the Government. “The expansion of the range of products and services we provide to our government customers mirrors that in the private sector and is clear evidence of a trend towards greater sophistication and value-add in fleet management services, something that plays into SG Fleet’s hands,” Mr Blau commented.

SG Fleet’s consumer business, which incorporates the sgfleet and nlc brands, registered good wins to add to the major accounts retained successfully, helping both brands to a strong year end. The Company was appointed to the Queensland novated panel and started writing its first deals in the first half. The second half saw continued growth in leads and deal volumes, with June 2017 setting a record for the financial year.

Mr Blau said: “Integration of the nlc business continues, with a single management team leading the combined consumer business. We have also successfully leveraged our greater scale throughout the supply chain and executed on the revenue synergies we had previously identified. These represent the greatest opportunity for us,” he noted.

SG Fleet reconfirmed its integration objectives and expects cumulative synergies of $6-6.5 million by the end of the current financial year, with the remaining synergies earmarked for next year.

United Kingdom

SG Fleet’s UK acquisitions performed to expectations, but a temporary slowdown in the salary sacrifice segment prior to the 2016 Autumn Statement was reflected in overall financial performance. “The subsequent recovery of activity started somewhat later than anticipated and only picked up momentum in the final months of the reported period,” Mr Blau said. “Nevertheless, portfolio growth continued and our combined UK business achieved a maiden profit. We have now established critical mass in the UK and a profitable platform on which to build further,” he said.

Business activity in the Company’s target segments continued unaffected by Brexit and the UK political situation, with a strong pipeline of new business opportunities coming through. The enhanced scale and product offering created through the Fleet Hire and Motiva acquisitions helped the Company win a number of larger contracts.

“The integration of Fleet Hire and Motiva has been running ahead of schedule alongside ongoing operations and the three businesses have come together seamlessly,” Mr Blau said. “Bringing together the various teams has had a very positive impact on the cross-selling of products to the wider customer book. Combined with the premises, funding, purchasing and disposal synergies, this has established a strong platform for progress during the current year,” Mr Blau noted.

New Zealand

Helped by a rise in business confidence throughout the second half of the year, the New Zealand business continued on from its maiden profit in FY16 and doubled its profits in the reported period.

“We received major referrals from some of our marquee customers within the tightly-knit local business community and that has helped us build a distinct position as a high value-add, blue chip provider, with a very strong technology offering,” Mr Blau said.

Sizeable wins, including a number of sale and leasebacks, were achieved throughout the period and the upsell of a widening range of products within existing relationships is accelerating. Telematics applications in particular are in demand in the New Zealand market.

Telematics uptake accelerates

“Increasing demand for telematics and other technology-based solutions has been a common element across all the geographies in which we operate. The addition of a telematics solution creates a clear uplift in profitability, so we believe that this trend will provide us with healthy additional growth over a long time period,” Mr Blau noted.

Promising start to FY18

“During the 2017 financial year, we have been able to deliver on our performance objectives, despite a patchy economic environment and at times aggressive tactics within the industry in Australia. We have established critical mass in the UK and both our overseas businesses contributed to Group profits,” Mr Blau said.

“We have had a promising start to the new financial year. There is a strong pipeline across the private sector and government for fleet management and in our consumer and novated business, the focus is on winning additional customers and increased penetration within the existing eligible pools. The bulk of the remaining nlc synergies will be achieved in the current financial year. The integration will create improvements in productivity, cost reductions, and better performance from our sales channels.

“In the UK, the recovery in salary sacrifice, combined with the acquisition synergies we expect going forward, means that we are confident of strong progress for the current full year. And in New Zealand, we are rapidly growing our reputation as well as our profitability.

“As to our inorganic growth strategy, we are in good financial health and in a strong position to fund new strategic initiatives. If opportunities to build scale arise, we will not hesitate to investigate them,” Mr Blau concluded.

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