SG Fleet Group
Integrated Mobility

ASX Announcement

SG Fleet Group Limited (ASX: SGF)

2017 Annual General Meeting

CEO's Presentation

24 October 2017

In accordance with ASX Listing Rule 3.13.3, attached is a copy of the CEO's presentation to be delivered at SG Fleet Group Limited's Annual General Meeting, which will be held today at the Albert Room, Intercontinental Sydney, 117 Macquarie Street, Sydney NSW 2000 at 3.00 pm AEDT.

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FY2017 ANNUAL GENERAL MEETING

CEO REVIEW

24 OCTOBER 2017

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Highlights

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FINANCIAL RESULTS & DIVIDEND

NPAT $59.6m (up 26.9%)

Underlying NPATA[1] $68.7m (up 27.2%)

- Guidance at 1H17: $65.9 to $68.6m

EPS 23.58cps (up 24.5%)

Underlying Cash EPS 27.17cps (up 24.8%)

Final dividend 9.265cps

- Total FY17 dividend 16.801cps (up 30.7%)

Pro forma[2] net corporate leverage 0.6x

- Pro forma total leverage 1.0x

STRATEGY & OPERATIONS

Good growth achieved in patchy conditions to beat upwardly revised guidance

High value-add proposition increasingly recognised

Telematics and tech solutions take-up accelerating

Australian corporate / consumer business split enhances focus and efficiency

nlc and UK integration and synergy extraction on track

UK and NZ businesses continue to make progress

Continue to explore opportunities to create scale

1: Underlying NPATA = Net Profit After Tax before acquisition-related expenses incurred during the reported period and excluding amortisation and impairment of intangible assets on an after tax basis.
2: Leverage ratio calculated on Pro forma EBITDA excluding acquisition-related expenses

Operational Review

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Australia

ENVIRONMENT

Economy

- News alternated between positive and negative

Industry environment stabilised

- Aggressive tactics less prevalent
- Residual values generally steady

BUSINESS ACTIVITY - CORPORATE

Positive mood – strong pipeline

- Major new wins – uncontested retention and extensions – additional products

Success rate reflects high value-add proposition

- Increased receptiveness to tech applications
- Telematics – *Bookingintelligence* – GoGet
- Focus on emerging opportunities

Continued discipline in competitive approach

BUSINESS ACTIVITY - CONSUMER

Continued growth

- Significant opportunities coming to market in FY18

New customers added and good retention

- Strong months towards end of the year for both brands

Good scope for growth within existing book

- Higher penetration within eligible pool
- Strong focus on sales of broadening product range

Sales channel split has enhanced focus and optimised processes

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Operational Review

United Kingdom

ENVIRONMENT

Business activity in target segments unaffected by Brexit

- Healthy pipeline of new business opportunities
- Light commercial vehicles drive leasing industry growth – favouring Motiva offering

Car salary packaging recovery post 2016 Autumn Statement

- Recovery started later than anticipated
- New scheme launches accelerating towards year-end

Steady business environment

BUSINESS ACTIVITY

Enhanced business scale supporting win rates

- Wins across contract hire, fleet management, salary sacrifice
  - Re-signed largest daily rental customer on 5y exclusive basis
  - 3 significant salary sacrifice wins in 2H – multiple opportunities coming to market in 1H18
- Winning sole supply arrangements by leveraging group capabilities
- Launch of personal contract hire product

Overall financial performance temporarily affected by Autumn Statement impact

- Normalisation in FY18

Targeting strong progress in FY18

Operational Review

New Zealand

ENVIRONMENT

Economy remains sound

- Business confidence on the rise throughout 2H17
- Companies positive about prospects, willing to hire and invest
- Election lead-up did not disrupt current trends

Competitive landscape

- Changes likely to produce opportunities

Operational environment remains supportive

BUSINESS ACTIVITY

Marquee endorsements help win rate

- Several sizeable fleet managed and leasing wins in 2H
- Technology upsell accelerating across main contracts
- Positive feedback from major clients is raising sgfleet brand profile in tightly-knit business community

Strong profit growth

- Doubling of profit

Brand increasingly recognised for blue chip offering

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FY2018 Update

MAJOR INITIATIVES

UK integration	• Integration well on track – synergy extraction timing as planned
	  • All teams and operations now fully integrated
	  • Fleet Hire systems integration in coming months / Motiva 2H18
	  • Re-branding on target for 1H18 completion

nlc integration	• Systems integration underway • Reconfirming synergy extraction targets: cumulative synergies of $6-6.5m by end of FY18 - remaining synergies in FY19 • Actively looking at further opportunities to grow revenue lines
Product innovation	• Chain of responsibility software applications in anticipation of amended legislation • Online quoting solution to support UK personal contract hire consumer product • Next gen *DriverSafety* product: virtual assessment • AU telematics-*Fleetintelligence* integration rolled out in NZ
Corporate activity	• Actively seeking inorganic growth opportunities • Funding and execution abilities demonstrated • Industry moving towards consolidation

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FY2018 Update

BUSINESS ACTIVITY

Australia	• Corporate
	  • Execution of agreements in energy and infrastructure sectors – further opportunities
	  • Increased activity in NFP sector
	  • Telematics and mobility services take-up acceleration continues
	• Consumer
	  • Leads growth despite muted new car market
	  • Number of new employer clients signed

United Kingdom	• Car salary packaging activity now recovered to pre-HMRC consultation levels – tender pipeline strong • Increased business scale, product suite and technology focus opening up new, larger opportunities
New Zealand	• Vehicle sector activity unaffected by elections - new registrations at record levels • Appointed to Health Alliance supply panel, servicing number of district health boards • Business pursuing number of additional large tenders • Disruption in competitive landscape is creating further opportunities

Summary

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- Guidance exceeded
- Opportunity pipeline strong
- Maintaining competitive discipline
- High value-add services in demand
- Tech solutions and telematics take off
- Enhanced business focus
- Strong combined sgfleet-nlc novated offering
- nlc synergy extraction on track for key year
- UK business integration yielding good results
- Profit growth in New Zealand accelerates
- Strong financial flexibility
- Continued exploration of scale opportunities

Developing agile business around core expertise areas

Targeting attractive growth rates and sustainable returns

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Annual General Meeting: FY2017 CEO's Review Speaking Notes

Cover slide

Thank you, Mr Chairman.

Good afternoon everybody. My name is Robbie Blau, CEO of SG Fleet. Thank you for taking the time to attend our 2017 Annual General Meeting.

Slide 2

Let me start with an overview of our performance during the 2017 financial year.

At the 2017 half year results, we upwardly revised the underlying NPATA guidance we provided at last year's AGM. This guidance was provided given the material changes in the structure of the group following the nlc and UK acquisitions. The top end of the growth range provided put us at $68.6 million, so the $68.7 million we reported for 2017 was just above that guidance. Reported NPAT, which includes the acquisition-related expenses incurred during the year, was $59.6 million, up 27% on FY16. The results equate to a reported EPS of 23.58 cents per share or underlying cash EPS of 27.17 cents per share. That is up 24.8% on the prior year.

The Board declared a final dividend of 9.265 cents per share, bringing the total for the year to 16.801 cents per share, an increase of almost 31% on the prior year. That payout is in line with our distribution policy and I am sure our shareholders will appreciate the hefty increase in our dividend.

As at 30 June, our pro forma net corporate leverage ratio stood at 0.6-times.

All in all, a good performance, despite what was another challenging year for corporate Australia.

In terms of the key developments of the 2017 financial year, we received a very positive response to our presentation of technology-based solutions. Demand for end-to-end telematics in particular accelerated in the latter part of the year.

The split of our Australian presence into distinct corporate and consumer businesses, first flagged at last year's results, delivered an enhanced focus and optimised processes and this positively influenced the performance of these businesses.

The integration of nlc continued and the resulting synergies are now firmly part of business as usual. The bulk of the remaining synergies will be achieved in the current financial year.

In the UK, the original businesses have come together seamlessly and made major progress on multiple product fronts.

After a first year in the black in FY16, New Zealand motored ahead and doubled profits.

While the latest industry consolidation opportunity has gone away for now, we continue to believe consolidation is an inevitable outcome given the industry structure and accordingly we continue to explore opportunities to enhance our scale.

I will now do a quick run-through of the 2017 financial year by market, followed by an update on how we have travelled so far in the 2018 financial year.

Slide 3

Let me start with a review of the year in our Australian businesses.

During the year, the economic environment continued to lack direction, something that was also reflected in wavering consumer sentiment. Within our industry however, the environment remained relatively stable, with some of the very aggressive tactics seen at the turn of the year less prevalent towards the end. On the residual value front, values remained steady, with manageable fluctuations in certain vehicle segments.

The mood within our corporate, fleet management business was positive and we saw significant opportunities. We notched up some major new wins in the private sector over the last quarter of the period. An example of that was the win of a 2,000-unit energy fleet contract, with half of that fleet utilising fully maintained operating leases. In addition, our government business continued to grow strongly.

We also continued to successfully retain customers who decided not to bother with a re-tender as our services have become an integral part of their operating process. Talking about customer service satisfaction, I should also mention that we were the inaugural winner of Westpac’s excellence in supplier partnership award.

In addition to retaining existing contracts, we were also successful at extending the product range we sell to a number of major customers, adding services to these contracts. As a rule, we tend to be most successful where we can add significant value for the customer, not just supply a basic commodity. Our reporting capabilities, our extensive knowledge of the asset class, and our expertise in helping deliver usage optimisation are the key contributors here.

With that in mind, it’s not surprising that we generated increasing interest when we promote our technology-driven products and services. We continued to see increased take-up of telematics, resources management systems such as our own booking intelligence service and strong interest to add car sharing to the standard pool structures.

As we have always done, we continue to look ahead and develop products and services for future needs. An example of that is the opportunity to help our heavy commercial customers to comply with the amended chain of responsibility legislation that comes into force mid-next year. Our reporting, telematics and driver safety applications will help our customers manage their risks in that area.

Our strength in adding value has also guided our approach to competitive opportunities. Where there is limited value to add and price becomes the overriding factor, we have shied away from compromising profitability.

Let me now turn to our novated and consumer business, which incorporates the sgfleet and nlc brands.

The novated industry overall continued to grow at a healthy rate, and we are no exception in that regard. Looking back to the second half of FY17, we notched up some good wins in novated to add to the major accounts we retained. This helped both brands to finish the year strongly, with volume records achieved in some months of the second half. We believe we are in a good position to make continued progress by winning additional customers and by achieving increased penetration within the existing eligible pools. Our strong focus on selling a broader range of products will continue.

In summary, an encouraging outcome across both the corporate and the consumer businesses. Our decision to split the corporate and consumer sales channels within the Australian business paid dividends and the enhanced focus and improved processes we have created by doing so have certainly contributed to our performance in the 2017 financial year.

Slide 4

Allow me to give you a snapshot of the UK now.

We saw a healthy pipeline of new business opportunities coming through in this market. In particular, light commercial vehicles drove growth in the UK leasing industry, and given Motiva's expertise in that area, we took full advantage of that trend.

At the start of 2017, I reported that we were seeing a resumption of salary sacrifice schemes after the Autumn Statement, which had introduced some minor changes to these schemes. That recovery started later than anticipated, and it has only really picked up momentum around the middle of this calendar year. That improvement will be reflected in the performance of this product in the 2018 financial year.

With regard to our two UK acquisitions at the start of the financial year, it was quickly evident that the enhanced scale of the combined business helped us win more and larger contracts. We had some significant wins in the second half, across all product areas. In some cases, customers signed up for multiple offerings. We re-signed our largest daily rental customer for a period of 5 years on an exclusive basis, and we had 3 significant salary sacrifice wins. We won multiple sole supply arrangements in our corporate business. To do so, we leveraged off our combined scale and capabilities to provide full outsourcing services to certain customers.

In terms of expansion of our offering, we launched a Personal Contract Hire product to complement our existing employee benefits products range.

In summary, our UK acquisitions performed to expectations, but there is no doubt that last year's Autumn Statement held back salary sacrifice activity temporarily and that was reflected in the overall financial performance of the UK.

Slide 5

In New Zealand, the local economy continued to grow, with business confidence on the rise throughout the second half of the financial year. The lead-up to the election there did not disrupt these business trends. Within our industry, we saw some changes in the competitive landscape and, as I will mention in a moment, we looked to be a beneficiary of that shift.

In terms of business activity, we received major referrals from some of our marquee customers within the tightly knit local business community. That has meant that we are increasingly seen as a high value-add, blue chip provider, with a very strong technology offering. There is no doubt this has helped us with the sizeable wins we achieved in the second half of 2017, as well as with the upsell of technology within existing relationships.

All in all, very good progress in New Zealand and after a first year in profit in 2016, a doubling of that profit in the past financial year.

Slide 6

Let me now move on to our performance in the first few months of the current financial year, starting with an update on some of the major initiatives currently underway.

In the UK, we are now entering the final stages of the integration of the two businesses acquired just a year ago. We have now brought together the teams and operations of the original sgfleet business with that of Fleet Hire and Motiva - well on schedule.

The remaining process of integrating the system platforms has progressed significantly, with the system integration of Fleet Hire to be completed in the coming months and that of Motiva to be executed in the second half of the financial year. The full integration will then be complete and, in line with that, the synergies we are extracting continue to come through on schedule.

In Australia, we are also on the home stretch with the nlc integration. Again, the final phase – systems integration – is underway. The good progress we have made allows us to reconfirm our synergy extraction targets. It also allows us to increase our attention on revenue synergies and we are now focusing on the way we drive growth across revenue lines.

On the topic of building out our revenue streams, we also continue to evolve our products and services offering. In the last few months alone, we made significant progress with the solutions that will help our customers comply with the chain of responsibility legislation, we created an online quoting solution to support our entry into the UK's consumer-style personal contract hire segment, and we rolled out our next generation DriverSafety product. We are also introducing the integrated telematics-fleetintelligence portal we have in Australia to our New Zealand customers in response to the strong demand for telematics-based solutions there.

This continuous development of our offering is a key feature of our growth strategy and helps us further improve the quality of our revenue streams.

As I mentioned earlier, despite the abandonment or postponement of the LeasePlan sale, it is inevitable that in due course consolidation opportunities will reappear. Inorganic growth is a key component of our stated growth strategy and accordingly, we will look to be an active participant in that process.

As could be expected, we looked closely at the LeasePlan opportunity and we were able to put in place both a funding structure and an integration plan. While the process was abandoned, our ability to transact will undoubtedly serve us well when the next opportunity arises.

Slide 7

On the operational front, we are able to confirm the trends observed at our 2017 results announcement.

In Australia, we flagged a number of opportunities and these continue to arise. In the past months, we also signed a number of customer contracts that we had been working on since the end of the previous financial year. Promisingly, whilst we traditionally are more represented at the top end of the market, we are now also growing in the SME segment. A further area of growth has been the NFP sector.

Across the board, we continue to see ever-increasing demand for telematics and mobility solutions, a trend we have observed for some time.

In the UK, the recovery in salary sacrifice activity has now brought us to levels seen prior to the revenue service consultation period that led to the temporary slowdown. As I mentioned, the recovery took longer to materialise than initially expected, but we are now again seeing a strong pipeline of tenders coming through.

The progress we have made as a result of the integration of the acquired businesses is helping us open up doors to larger opportunities in this market. Combined with the synergies we expect going forward, this means that we are confident of good progress in this market.

In New Zealand, the business environment continues to very supportive. We have had a number of promising wins recently, including our inclusion in a panel for suppliers in the health sector. Helped by its more prominent position in the industry – the result of marquee appointments such as the KiwiRail one – our business there is now pursuing a number of additional sizeable opportunities.

In August, I mentioned that developments at some of our competitors have opened up opportunities within the competitive landscape in New Zealand. As a smaller player in this market, we have taken advantage of this and we are currently pursuing potential customers who have come to market as a result of this disruption.

In short, our New Zealand business is well placed to build further on the strong progress made in the last two years.

Slide 8

In conclusion, allow me to summarise the 2017 financial year.

Despite a patchy economic environment and at times aggressive tactics within the industry, we were able to deliver on our performance objectives, coming in just ahead of the top of the range flagged at the half year results.

The opportunity pipeline continued to be strong, supported by a structural shift towards outsourcing and growth in customer requirements.

Our strength lies in adding value and this was increasingly rewarded as customer demands became more sophisticated. A case in point was the rapidly accelerating demand for technology-based solutions and in particular telematics applications.

The corporate / consumer split we implemented in our Australian business resulted in an improved focus on the respective needs of the two customer segments and helped us to optimise our processes. It also facilitated the bringing together of our two novated brands and the adoption of mutual best practice and products.

The systems integration has now kicked off and we are on track to realise the bulk of the nlc synergies in the current year. The integration of the UK acquisitions is running on schedule and the combined business hasn't dropped a beat in terms of business as usual and is successfully cross-selling products across that portfolio. And in New Zealand, we are rapidly growing our reputation and our profitability.

We are in good financial health and in a strong position to fund any new initiatives. If opportunities to build scale arise, we will not hesitate to investigate them.

As a group, we remain fully focused on our core capabilities. We believe there are opportunities to build revenue in areas where we have the expertise and can add value, without being distracted by ventures into business activities that do not directly benefit our customers.

Our objective is to remain very agile within this rapidly evolving environment so that we can continue to deliver attractive growth rates and sustainable returns for our shareholders.

Thank you for your attention.

I will hand back to the Chairman now.

END