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Update on Eclix Group response to COVID-19

Eclix Group ("Eclix" or "Group") provides a further update on its response to COVID-19, following on from its 17 March 2020 update.

Liquidity and risk management

As of 31 March, the Group had circa \$70 million in available cash liquidity. The Group manages its cash liquidity position carefully, including the implementation of prudent inventory practices. These practices include working with Eclix customers to extend lease contract maturities and modifying existing lease agreements where it is mutually beneficial.

Eclix notes and welcomes the Australian Office of Financial Management's ("AOFM") statement of 9 April 2020, that it is working with the securitisation industry on a forbearance funding model to support COVID-19 related claims by customers. The potential forbearance funding support via the Structured Finance Support Fund ("SFSF") will materially assist non-Authorised Deposit Institutions ("ADI") sector participants, like Eclix, to manage customers with COVID-19 driven financial assistance claims in a manner more consistent with ADI's who are already receiving support via other announced COVID-19 packages.

The forbearance funding model may involve the SFSF providing funding to both term ABS and warehouse facilities, where COVID-19 hardship cases may otherwise impact cash flow into securitisation vehicles. Eclix views this model as a valuable mechanism to support impacted customers. The Group also notes the AOFM support, at its discretion, for primary and secondary investment in securitisation programs which is aligned to the directions outlined by the Australian Government when the SFSF was established.

The Group continues to have the most diverse sources of funding in the domestic fleet space, and retains significant warehouse capacity particularly after placing 57% of Eclix's total lease book into asset backed securitisation markets in the last quarter of 2019. As a result, Eclix does not need to issue into the securitisation market for the foreseeable future.



For the avoidance of doubt, Eclix is compliant with all of its corporate covenants.

As it relates to credit risk, Eclix's top 20 customers represent 28% of its interest-bearing portfolio, of which 83% of credit exposure is investment grade rated (over 70% by counterparties).

The Group has direct security against each of its leased vehicles, the majority of which are business-use assets, a strong performing asset class through prior economic dislocations.

Revenue stability

The majority of Eclix's Core net operating income before end of lease earnings (NOI pre EOL) is generated from its annuity-like revenue including net interest margin and management fees from its interest bearing back-book. These annuity streams provide predictability in the NOI pre EOL, accounting for 87% of NOI pre EOL in the first five months of FY20. By contrast, NOI earned upfront on new originations accounts for 13% of Eclix's Core NOI pre EOL over the same period.

Notwithstanding this NOI pre EOL stability, Eclix is seeing a slow-down in new business writings in operating leasing and particularly novated leasing, an observation noted in the Eclix Core business update on 17 March 2020.

Response to COVID-19

As a result of COVID-19, Eclix's Management and Board have taken a series of precautionary actions to mitigate any potential risks posed by the subdued economic environment, including but not limited to the following:

- 100% of all office-based employees working remotely;
- Restricted all non-essential operating expenditure;
- Reduced all non-essential capital expenditure; and
- Temporarily reduced employee cost base through salary reductions.

Since the emergence of COVID-19, our customer net promoter score has increased from low-mid 50s to 61, reflecting a solid transition of staff to working remotely with limited impact to productivity or customer service delivery.

Employee and customer commitment through the crisis and beyond

The Group is committed to retaining its talented team and has taken measures to ensure consistency of customer proposition and service, as a preliminary response to COVID-19.

Eclix has implemented its COVID-19 Employee Optimisation Plan which, at its core, involves each employee in the Group accepting a temporary reduction to their cash remuneration. The level of remuneration reductions are as follows:

- Chief Executive Officer: 50% reduction
- Chief Commercial Officer: 40% reduction
- Executive Committee members: 30% reduction
- Non-Executive directors: 20-25% reduction
- All other employees: 0-20% reduction

The voluntarily acceptance of the above reductions by employees will allow Eclipx to retain all permanent employees without the need for a full or partial stand downs. These salary reductions are temporary in nature and will be removed upon a restoration of a normalised operating environment.

FY20 Guidance

Eclipx Group has not, and will not, be providing earnings guidance for FY20. Eclipx Group will provide a further update at its first half FY20 results, expected to be in mid-late May 2020.

Authorised by the Board of Eclipx Group Limited.

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